Start the week with...



Christopher Parkes Dressing down

in America



**Economics Notebook** 

Too many graduates in 2001?

Robert Chote, Page 10

More IRA attacks feared Major to end Sinn Féin contacts unless ceasefire resumes



Samuel Brittan

Bundesbank's role in Emu

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World Business Newspaper

MONDAY FEBRUARY 12 1996

### Two Algiers car bombs kill 17 and injure at least 90

Two car bombs ripped through Algiers, killing at least 17 people and wounding 93 in the city that is caught in conflict between security forces and Moslem fundamentalists. The second bomb exploded outside a building housing the main offices of major Algerian newspapers and an earlier explosion shattered the town hall in Bab El-Oued, a working class district. Algerian authorities have blamed a series of four bombings in the past week on Moslem miliof four companys in the past week on proside the tants fighting to topple them. An estimated 50,000 people have been killed since violence broke out in 1992 after the authorities cancelled a general election dominated by the Islamists

Holbrooke warning to Bosnia factions



t Amit Thakar,

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concerned that

US envoy Richard Holbrooke (left) warned Bosnia's factions they had no choice but to implement the Dayton peace accord fully. "We are here to insist on full compliance with Dayton, no exceptions, no changes," Mr Holbrooke said in Sarajevo, Last week the Bosnian Serb army broke off contacts

with Nato after the Bosnian government detained several Bosnian Serbs as suspected war criminals. Four of the detainees were freed on Saturday.

Anti-virus software company sold: The husband and wife who developed the Dr Solomon's Anti-Virus Toolkit software package have sold their company to a management buy-out for reputedly between £20m and £30m (\$46m). The buy-out places the Solomons among Britain's most successful software entrepreneurs. Page 8; Media Futures, Page 15; European PC sales up 20 per cent, Page 22

Doubts over Caspian oil deal: An accord on transporting the oil that will soon be flowing in huge quantities from the Caspian Sea could be jeopardised by an apparent hardening of Russia's position over the sea's legal status, according to senior British officials. Page 2

Zhirinovsky begins Russian poli race: "A sea of vodka", three white horses and ringing church bells announced the unofficial beginning of the race for the Russian presidency as Vladimir Zhirinovsky, the flamboyant ultra-nationalist, launched his own campaign with a showy silverwedding celebration. Page 2; Lex, Page 20

Eurotunnel, the Anglo-French company which operates the Channel tunnel rail link between Britain and France, plans to spend up to £400m (\$616m) over four years improving passenger facili-ties. Page 20; Spanish link proposed, Page 14

Italian phone truce on verge of collapse: A fragile truce between Italy's two cellular phone companies is likely to fall apart today over a key lement of the accord regulating the country's digital network. Page 2; Bundestag dials up trouble with telecoms deal, Page 2

Lisbon spells out privatisation plans: Portngal's Socialist government is to undertake an extensive privatisation programme that aims to raise more than Es380bn (\$2.4bn) this year. Page 2

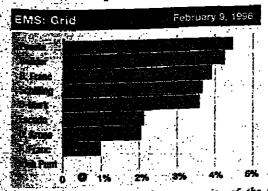
Cable TV seeks Dutch soccer coverage: The Royal Dutch Football Association has unveiled plans to set up a separate television sports channel to broadcast Dutch football matches. This would effectively shut out public television from the country's most popular sport. Page 2

De Beers cartel's diamond trade queried: The international diamond cartel organised by De Beers of South Africa has a far smaller share of global trade in rough or uncut diamonds than it claims, according to an independent analysis of the market. Page 21

Banks to be picked for Polish sell-off: Poland is about to appoint the investment banks which will manage the international public offering of state copper producer Polska Miedz, expected to value the company at about \$2bn. Page 21

New impetus to search for aliens: The recent discovery of three planets orbiting distant stars has given new impetus to the scientific search for extra terrestrial intelligence. Page 3

Monetary System: The Spanish pessia Monetary System: 110 pessia inst week took advantage of a hull in the debate over a single European currency to climb four places to the top of the EMS grid. The order of currencies was otherwise unchanged, with the Wead between strongest and weakest widening stightly. France's central bank trimmed the inter vention rate to 3.90 per cent. Currencies, Page 29



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to stuctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 225 per cent band.

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	many Child St Kungal Fis.650	Portugal (m'land) Turkey L70,000

# UK set to press ahead with Ulster poll plans

Kampfner and Jimmy Burns in London and John Murray Brown

The UK is expected to press on with its controversial plans to hold elections in Northern Ireland, in spite of stiff opposition from Dublin, as the British and Irish governments made desperate attempts to salvage the peace process following Friday's IRA bombing in east London.

Two people died and more than 100 were injured in the explosion, which damaged buildings in the city's Docklands area. Amid concern from the secu-

rity services that there may be further IRA attacks, there were also warnings last night from officials and senior Tories of an escalation of terrorist violence and possible loyalist retaliations, which could extend to the streets of Dublin for the first time. Following a meeting last night Peace Crisis Pages 6-7

■ Adams' credibility shattered ■ No 10 says talks can continue

■ Ring of steel closes on City US effort to restore ceasefire

Time to take stock ..... Page 19 Editorial Comment ...... Page 19

with senior British ministers, Mr John Major, the UK prime minister, will today tell the House of Commons that ministerial contact with Sinn Féin will cease unless the IRA renews its ceasefire. A similar ban on talks with Sinn Féin, the IRA's political wing, is being adopted by Dublin. Mr Major will also reiterate

that an elective process remains

his preferred route to all-party

■ Tourists shrug off feat

pour petrol on the flames".

talks on a Northern Ireland settlement, in spite of comments yesterday from his Irish counterpart, Mr John Bruton, that such a move "immediately after the resumption of violence would

A colleague of Mr Major said it would be "naive" to expect the British government to soften its stand on elections. Mr Bruton and Mr Major talked

agreed that "the priority is an immediate end to violence and restoration of the ceasefire", a Downing Street official said. They will meet later this month. Mr Bruton yesterday criticised

Mr Major for presenting the IRA with only two options over the past fortnight: to hand over weapons or agree to elections.

lock, modelled on the Dayton, Ohio conference which brokered an end to the Bosnia conflict. In the wake of the South Quay

bombing. British ministers are understood to have been advised by intelligence agencies to expect up to four bombines on the mainland in the next 10 days. "The

yesterday afternoon, when they for a meeting involving all commissioner of London's Metrogroups to resolve the peace deadpolitan Police, said it was "extremely concerned" further attacks could occur "any time, anywhere" on the mainland. Loyalist politicians have been

urging their supporters to remain calm, but Mr Billy Hutchinson, of the Progressive Unionists, a fringe loyalist party with links to

Continued on Page 20



The scene of devastation in London's Docklands after Friday's blast, which claimed two lives. British ministers are understood to have been advised by the intelligence agencies to expect up to four bombings on the mainland over the next 10 days

Picture: Ashley Ashwood

### Japan and Brussels wants trade tied to labour rights S Korea in stand-off over island

By William Dawkins in Tokyo and John Burton in Seoul

A group of senior MPs from Japan's ruling coalition yester-day cancelled a scheduled visit to South Korea because of a bitter diplomatic dispute over the ownership of a small island in

The delegation pulled out after South Korean president Kim Young-sam refused a planned meeting with them set for today, and issued an unusually harsh statement denouncing a formal protest by Tokyo over the Korean construction of a landing jetty on the island known as Tok-do in Korean and Takeshima

"Once again, Japan has stirred the anger of the entire Korean people by making a preposterous claim" to the island, said the president's statement. "We, the Korean people, will firmly reject the claim and resolutely deal with any problems arising from

The dispute brings the often prickly relations between Japan and Korea to another low. It is the latest in a recent series of island disputes in the area and comes when nationalistic feeling in Japan and South Korea is

Japan claims the disputed island under an agreement with Seoul in 1905, when it began to assert colonial rule over the Korean peninsula. Seoul regards the agreement as invalid by claiming it was signed under duress.

South Korea, which formally claimed sovereignty over the island in 1952, has for the last 40 years stationed a police garrison on the outcropping of rocks, otherwise inhabited only by a middle-aged fishing couple.

The issue, a long-standing irritant, has come to a head with Seoul's alarm at Japanese preparations to declare a 200-mile exclusive economic zone around its territory, including the Continued on Page 20

N Ireland Peace Crisis .... 6

### Move may anger partners in developing countries

The European Commission will this week commit itself to promoting minimum standards for social conditions in international trade pacts, in a move likely to provoke an angry response from trading partners in developing

The Commission will call on the European Union to take a "progressive stance" on the issue of social standards by asking for a working party to be set up under the World Trade Organisation to look into the question. Last week Asian officials

warned that inclusion of such issues as human rights and

heads of state in Bangkok next month. The Commission's call comes in a strategy paper on trade pol-

icy drawn up by five commissioners including Sir Leon Brittan, the EU's chief trade negotiator. The paper is designed to prompt debate on what the EU will table at the WTO ministerial meeting in Singapore in September.

EU officials said there was resistance from Sir Leon to committing the EU to a tough stance

democracy could damage the first Until early last year, Sir Leon association and of collective bar protectionist gambit" labour standards should be nised within the International inchided in the debate on world Labour Organisation". The paper argues that "it is

trade policy. However more recently he has accepted that the issue needs to be debated, if only to pacify those advocating action. The paper says that "some practices, such as preventing reedom of association and using forced labour, cannot be justified in terms of the level of economic

development", adding that certain "basic social laws banning forced labour and child labour or guaranteeing the freedoms of

non-Community countries or defining policies with a strong social component", and that it is "legitimate to discuss social matters in the multilateral context".

The document says the view that some practices were unaccussion "should finally mean that this is no longer seen as a

question of depriving developing countries of their comparative advantage in labour costs. The only natural that such basic document also points out that it is "better to discuss these mat-ters in a multilateral forum". social aspects should be considered in evaluating relations with

The British government has opposed linking social standards to trade policy and is expected to resist the Commission's drive to take a tougher stand. However, other countries, particularly France, have campaigned for ceptable was gaining ground in minimum social standards in international forums. The fact international trade agreements. minimum social standards in

# New body parts 'will be grown from human cells'

By Clive Cookson in Baltimore

Doctors will soon be able to replace almost any part of the body with implants engineered from living cells and synthetic materials, the American Association for the Advancement of Science was told yesterday.

Researchers from universities and biotechnology companies said clinical trials or animal tests were already under way with replacement skin, bones and cartilage for joints, and with key parts of the heart, kidneys, pancreas and other vital organs.

Looking further ahead, Professor Robert Langer of the Massachusetts Institute of Technology raised the prospect - in 20 or 30 years' time - of an "artificial womb" which would sustain premature babies for several weeks until they were ready to face the world.

The brain is the only organ substitute for some nerve tissues.

whose replacement will remain off-limits for the foreseeable future. But scientists expect soon to learn how to grow individual human perve and brain cells, and microelectronic devices will also

seeded with living cells, which pervade and eventually replace the plastic structure. Tissue engineering is furthest advanced with skin. Dr Gail

new organ out of a special biode

gradable plastic. This is then

wounds and deep skin ulcers.

#### Naughton, research director of Advanced Tissue Sciences, told the association, meeting in Balti-more, that her California-based company would seek product licences from the Food and Drug Administration this year for sheets of living skin. They are used to treat severe burns. Advanced Tissue Sciences Lloyd's of London Press obtains its skin cells from the foreskins of circumcised babies. "One foreskin will provide enough cells to give 250,000 sq ft six football pitches - of new skin." Dr Naughton said The company is working on several other tissue engineering projects, including a 50:50 joint venture with Smith & Nephew. the UK medical devices company. to develop living cartilage for Total funding raised orthopaedic applications, such as replacing damaged knees. Dr Robert Lanza, research £84.3m • Managed director of another biotechnology and arranged by 3i plc company, Massachusetts-based The basis of much tissue engineering, according to Prof Lanand the Corporate Continued on Page 20 Battle lines drawn, Page 4 | ger, is to make a scaffold for the Finance practice of Coopers & Lybrand 5 Emerging Markets ........... 25 World Bond Markets ...... 26 EQUITY Markets ...... FT/S&P-A Wild Indices ..... 24 WE WANT YOU TO SUCCEED Money Markets .. World Stock Menters

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seeks to

coverage

By Ronald van de Krol in Amsterdem

popular sport.

cent stake.

The new cable channel

would be run with the assis-

tance of Philips, the Dutch

electronics group which has extensive cable TV interests, ING Bank and Endemol, a big

The three private sector

companies would each hold a

stake of 21 per cent in the new sports channel, which has not

yet been given a name. The KNVB itself will take a 10 per

The proposed move, which

has already encountered politi-

cal opposition, comes at a time

of debate in other European

countries about the extent to

which commercial television

should be allowed to dominate

Dutch politicians immedi-

ately questioned the fairness

of taking football broadcasts

commercial broadcasting.

News of the proposed chan-

nel also met with anger from

the country's public broadcaster, NOS, which is the

Dutch equivalent of the

British Broadcasting Corpora-

The NOS, together with two commercial television compa-

nies, had bid Fl 900m (£360m)

for the rights to broadcast

league football matches over

However, the proposed chan-nel has outbid them with an

offer of Fl 1.04bn over the

Dutch cable companies would

be charged Fl 2 a month per

subscriber to transmit the

sport channel's programmes.

This fee would probably be

Most Dutch households

cable and typically pay for a

basic service as part of their

However, some 10 per cent of households in outlying areas rely on television aerials for reception and they would

be cut off from watching foot-

ball matches if the proposals

the next seven years.

per month.

electricity bill.

went ahead.

today with the KNVB.

sports broadcasting.

Dutch television producer.

soccer

net Dutch

An accord on transporting the oil that will soon be flowing in huge quantities from the Caspian Sea could be jeopardised by an apparent hardening of Russia's position over the sea's legal status, according to senior British officials.

The issue interests Britain because an agreement over pipeline routes is crucial for the fulfilment of an \$8bn (£5.1bn) contract to extract oil off the coast of Azerbaijan. signed in 1994 by a consortium

Officials said Russia, after

autumn, had recently shown signs of reverting to its previous tough stance on the Cas pian. This held that any drilling should be subject to approval from all states bordering the sea.

This position, which has also won support from Iran, would imply a refusal to recognise the 1994 contract with the government of Azerbaijan. Under a compromise struck

four months ago between the rival proposals of Russia and Turkey, it was announced that the initial Caspian output would be split between two pipelines - one going through

Chechnya to the Russian port of Novorossiysk, and one

through Georgia. By acceding to that deal, Russia seemed to be stepping back from its insistence that no drilling could proceed until the status of the sea, and its sources, was agreed by all

states in the region.

But Moscow's latest signals,
conveyed in high-level contacts
with London, have suggested that it is edging back to its earlier stance. "We hope Rus-sia does not go back to that line become it could demons line because it could damage its own interests by doing so," said one senior UK official. He said western companies.

faced with Russian obstruc-tion, could be forced to rely entirely on the Georgian line, although the projected cost of completing this was five times larger, at \$250m, than that of recairing the Russian one.

The British concerns have surfaced against a background of delicate exchanges between London and Moscow about a possible meeting between Mr Malcohn Rifkind, the UK foreign secretary, and his new Russian counterpart, Mr Yev-geny Primakov. A successful meeting would help to mend fences after the lukewarm reception Mr Rilkind received in Moscow last September.

# Italian phone truce on verge of collapse

A fragile truce between Italy's two cellular phone companies is likely to fall apart today over a key element of the accord regulating the country's GSM digital network. Under rules set by the Italian

government, Omnitel Pronto Italia, which was awarded the second GSM licence in competition with the state-sector group Telecom Italia Mobile (TIM), was to be allowed use of TIM's network for a two-year period once its own network had penetrated 40 per cent of Italian territory. TIM disputes the claim by Omnitel, which launched its commercial serrice in December, that this has been achieved and says it awaits confirmation by the telecommunications ministry.

The dispute has become so heated that the two operators do not even agree on the date that the so-called "roaming" accord was meant to be triggered. TIM said it should have come into effect today while Omnitel believes it should start tomorrow.

Omnitel said at the weekend: "If TIM does not provide 'roaming' we shall do everything we can to protect our rights and those of our clients." Mr Francesco Caio, the company's managing director, will announce in Milan today a new tariff structure for subscribers, and TIM is expected to follow suit with its own promotional

analogue and digital services, said that the ministry accepted it had reached 40 per cent pen-etration and had sent TIM several letters of confirmation TIM said that the letters did not furnish the official proof required and that it had again pressed the ministry to clear up the matter. It doubts

about 70,000 subscribers, compared with the 4m mobile

phone owners using TIM's

whether Omnitel could achieve 40 per cent penetration with the 550 radio stations it has set up so far, TIM, which launched its GSM service last April, has 1,800 stations.

The row may have repercussions on an agreement in principle between Mr Agostino Gambino, the telecommunications minister, and the European Commission on a compensation package for Omnitel This accord, on the basis of "roaming" and reduced fees to be paid by Omnitel for connection to state-controlled telephone lines, followed the Commission's decision last year to initiate legal proceedings against Italy for discriminating against Omnitel. TIM had not been asked to pay the same L750bn (£312m) fee that Omni-

tel paid to win the licence. The accord has not yet been implemented because it was linked to Italy initiating legislation on the EU directive liberalising personal and mobile telecommunications. With a new government still to be formed this has not yet been

Omnitel, which has recruited

# Bundestag dials up trouble with telecoms deal

By Michael Lindemann in Bonn

A decision to award part of the German Bundestag's telecommunications business to a US company rather than Deutsche Telekom has unleashed a wave of protests.

Allowing WorldCom, a US telecoms operator, to manage all the lower house of parliament's domestic telephone traffic - which is expected to save about DM500,000 (£220,000) annually - was described by the Südkurier, a regional paper in southern Germany, as "extremely unfair".

The German Post Association, a group representing the civil servants who make up half of the workforce at Deutsche Telekom, the state-owned operator, said the decision showed a "first-class lack of instinct" and would cost thousands of jobs.

Whether it is cars, trains or televisions, Germans like to buy goods they have made themselves and are still suspicious of imported ones. The same goes for telecoms hardware and services.

However, given the quality of German telecoms products, especially features such as digital services, German producers are having trouble persuading clients that they are as good as the foreign competiyear. Other leading German companies are wondering why they did not come up with the

"Even if WorldCom are not earning any money at all on the deal it would be worth it in terms of the free publicity. said a senior executive at Mannesmann, which operates Germany's biggest private mobile phone network.

Deutsche Telekom while insists that it has lost the contract because the committee which regulates the telecoms market - made up partly of Bundestag members recently refused to allow the company to introduce discounts of 40 per cent for corporate clients until something was done to make calls more attractive for private clients. A government decision in mid-March is expected to approve the corporate discounts if Deutsche Telekom does some-

thing for private clients. Meanwhile, the company's confidence about recovering the Bundestag contract, which can be cancelled at 14 days notice, may not be misplaced. "The moment Deutsche Telekom can make a new offer we will begin talks," said a Bundestag spokeswoman.

If Deutsche Telekom can recover the contract it will go some way to make up for a dismal start to the year - and soothe those horrified that an institution as German as the Bundestag could prefer to do business with the Americans.

#### Vodka, white horses and church bells launch nationalist's campaign for presidency

# Zhirinovsky begins Russian poll race

By Chrystia Freeland in Moscow

"A sea of vodka", three white horses and ringing church The Royal Dutch Football bells yesterday announced the unofficial beginning of the race Association (KNVB) unveiled plans at the weekend to set up for the Russian presidency as a separate television sports Mr Vladimir Zhirinovsky, the flamboyant ultra-nationalist, channel to broadcast Dutch football matches. This would launched his own campaign effectively shut out public telewith a showy silver-wedding vision from the country's most

celebration. With the populist flair which has become his political trademark, Mr Zhirinovsky kicked off his campaign with an Orthodox blessing of his 25 years of marriage, attended by the faithful of his Liberal Democratic party and Mr Jean-Marie Le Pen, leader of the France's National Front.

The "sea of vodka" and

shower of coins and baubles which Mr Zhirinovsky's aides distributed among several hundred bystanders seemed to guarantee the maverick politician a renewed burst of public attention. But Mr Zhirinovsky's eye-catching antics are likely to be upstaged later this week, when the two heavyweight contenders for the presidency - President Boris Yeltsin and Mr Gennady Zyuganov, the Communist leader - are expected to announce their

out of the public domain, and Although Mr Yeltsin has not yet said whether he will stand some threatened to re-examine subsidies made available to in the June presidential elec-Others called for the KNVB tions, he and his entourage have dropped broad hints that to pay market rates for police surveillance at matches if the he plans to launch a bid for re-election this Thursday, football association entered when he visits his home town Government officials have requested an urgent meeting industrial heartland.

In a carefully orchestrated display of the "will of the peo-

Primakov reassures Christopher over supply of reactors to Iran

Mr Warren Christopher, US secretary of state, has expressed his "very strong concern" to Mr Yevgeny Primakov, Russia's fareign minister, over Moscow's supplying nuclear technology to Iran, AFP reports from Helsinki. Russia has agreed to sell two nuclear reactors, which the US fears could help Iran to develop nuclear

During three hours of talks on Saturday in the Finnish capital "I outlined my very strong concern over Russia tightening relations with Iran," Mr Christopher said. However, he added that he had received assurances that Russia was "also concerned about Iran developing weapons of mass destruction" and "does not want to enhance Iran's [nuclear] capacity".

Mr Primakov said that he had reiterated Russia's opposition to the proposed expansion of Nato, and believed that "we must find the right solution for both sides [Russia and the US] and the central and eastern European countries"

Both described their talks as "good and productive". Mr Christopher said "areas of co-operation far outweigh those that we disagree on" and that he found "the Russian minister's comments reassuring". Mr Primakov declared himself willing to find solutions "without going into confrontation, as this would be extremely dangerous".

era, the ground for Mr Yeltsin's formal announcement has been prepared by a series of public appeals for him to stand from groups ranging from the metalworkers' union to Russia's powerful oil barons. Another sign of intense back-

room preparations for Mr Yeltsin's re-election bid came last week when Mr Victor Chernomyrdin, the prime minister and potentially one of Mr Yeltsin's strongest rivals, dismissed speculation that he would be a candidate and pledged his fealty to Mr Yelt-

But Mr Yeltsin's hope of ralof Ekaterinburg, in Russia's lying the support of all of Russia's anti-Communist forces, as he did at the peak of his popu-larity in 1991, remains elusive. ple" reminiscent of the Soviet Many of Russia's most promi-

nent liberal politicians feel that, by pursuing a bloody war in Chechnya and making populist high-spending promises, Mr Yeltsin has betrayed the cause of democracy and mar-

ket reforms. This disenchantment threatens to split the liberal vote, weakening Mr Yeltsin in favour of Mr Grigory Yavlinsky, a leading reformist politi-cian and declared candidate, or even Mr Boris Nemtsov, the popular governor of Nizhny Novgorod, who is being publicly pressed to stand in the

By contrast, Mr Zyuganov,

leader of the Communist Party of the Russian Federation, is dency altogether. expected to earn the official endorsement of most of Rusthe president by overturning tional attention for the next sia's leftwing parties at a Comthe current constitution and four months.

A crown is raised over Vladimir Zhirinovsky's head during his marriage confirmation ceremony vesterday munist congress on Thursday. Most leftwing splinter groups have already thrown their support behind him, and he has also been backed by a few

nationalist parties. As the front-runner in most opinion pulls and the representative of Russia's largest and best organised political party. Mr Zyuganov is Mr Yeltsin's strongest challenger for the sidency. But Communist

adopting a new one through a public referendum," Mr Gen-nady Selezniev, the Communist speaker of the parliament, said last week. :

In the long run, the Commu-nist party's aim of replacing the strong presidency intro-duced by Mr Yeltsin with the parliamentary or "Soviet" system, which offered a pretence of democracy in the USSR, could have an even greater officials say their longer-term impact on Russia's political goal is to abolish the presi- future than the presidential race which is likely to be the "We will revoke the post of focus of domestic and interna-

# Lisbon spells out privatisation plans

By Peter Wise in Lisbon

Portugal's government is to undertake an extensive privatisation programme that aims to raise more than Es380bn (£1.6bn) this year. Disposals in 1996 are same period. At the same time. to include global offers of Portugal Telecom, Electricidade de Portugal, the national power company, and Cimpor, a cement producer. Employees. passed on to consumers, whose small savers and Portuguese current cable television abroad are to be encouraged by charges come to around FI 15 discounts and tax incentives to invest in the planned privatisation of 22 companies over two receive all their television via

The centre-left Socialists'

Socialist than that of the Social Democrat government, which lost last October's general election. Focused on banks, sales of companies nationalised after a left-wing revolution in 1975 have raised more than Es1,300bn over the past seven years. This made Portugal the world's third largest privatis-ing country after Britain and New Zealand, according to the

Organisation for Economic Co-operation and Development. The new government's programme centres on industry and services, including steel, shipbuilding, oil, chemicals,

management and motorway construction and operation. Mr António Guterres, prime

minister, told parliament that privatisation would promote greater social justice, equality of opportunity and economic integration. State companies in Portugal,

often holding monopolies, have held back the development of competition and through their losses have often been a drain on public resources. Privatisations are expected

to begin with an international offer of up to 24 per cent of Portugal Telecom. The sale of later sell a further stake to a global strategic parener.

More than 20 per cent of EDP=the holding company for be privatised in another global offer towards the end of 1996. Further holdings will be offered but the state will retain management control.

The state's 80.5 per cent stake in Banco Fomento e Exterior, Portugal's fifth largest financial group, is also to be privatised this year. However, the government has not decided whether to accept a Es29.9bn loss in 1994.

plan is more ambitious in both mining, gas, paper pulp and 27 per cent last June raised Es132bn offer from Banco Porscope and forecast revenue tobacco, as well as airport Es142nn. The government will togus de Investimento. The government has mean-

while appointed Mr Manuel Ferreira Lima, a former transport minister, to replace Mr Portugal's power generation Fernando Santos Martins as and distribution utilities, is to president of TAP-Air Portugal, the state airline. The appointment is one of several changes expected in the top management of state-owned compa-

Police are investigating allegations of corruption involving TAP's purchase of four Airbus A-340 airliners. The company is forecast to show a loss of about Esl5bn in 1995, down from a

#### WorldCom's coup has startled not only Deutsche Telekom, the monopolist which is to be partially privatised this

#### González heads for defeat on his home ground Fun-loving, backward, Andalucia is likely to be crucial in next month's election, writes Tom Burns in Seville



ìn

above the national average.

enabled Seville-born Mr González to remain in power.

Communist party is expected to make strong gains at the Socialists' expense. "National elections are won

of the centre-right Popular party (PP). "This time we are going to win."

dle-sized towns. Mr Manuel Chaves, who was

850,000 more votes than the

But in the 1994 European

centre-right.

Opinion polls in the main Spanish newspapers yesterday showed the centre-right Popular party strengthening its lead over the governing Socialists, just three weeks before the general elec-tion, writes David White in Madrid. Four different polls all indicated that the PP was gaining ground with 40-42 per cent of the vote, but were less consistent about the Socialists' score. The opposition newspapers El Mundo and ABC both published surveys giving the PP a lead of more than 10 percentage points.

ABC said this would secure up to 172 seats, just short of an outright majority but enough to govern on its own. According to El País, the gap was just over 9 points. But La Vanguardia in Barcelona showed the Socialists only 6.5 points behind with 34 per cent. This would give the PP 160-170 seats, only about 25

campaigns saying we are a bunch of hard rightwingers

new image that Mr José María Aznar, the PP leader, has grafted on to his party.

Ms Soledad Becerril, the Popular party mayor of Seville,

Spain's biggest-selling newspa-

ate, modern, decent and effi-cient," says Mr Arenas. "Scare" dow" of the PP in power because "everything works, nothing is paralysed". Mr Chaves says ruefully:

"The PP has a lot of influence now and it is spreading out from the cities. We have lost the urban vote and we are los-ing the vote of the young, just as everywhere else in Spain." Opinion polls tend to substan-

per, suggested that the PP would for the first time be the biggest party in Andalucia, where regional elections are also being held on March 3. The poll gave it 39.3 per cent of the regional parliament vote; the Socialists 35.7 per cent. Mr Chaves's problems in

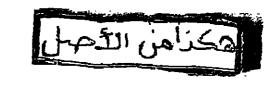
Andalucia's regional elections mirror those of Mr González. Short of a majority in the 109-member regional parliament, just as the prime minister is in the Madrid congress, Mr Chaves has failed to get a budget through parliament for the past two years, while Mr Gonz-ález's national draft 1996 budget was rejected last October. Like Mr González, Mr Chaves

is fighting on two fronts, against the PP and of the Communist-led United Left (IU) coalition. In addition, he has been exposed, more than any other Socialist leader, to the simmering split in the governing party. Andalucia is the chief stronghold of the guerrista wing of the Socialist party which supports Mr Alfonso Guerra, deputy party leader and once Mr González's closest

political associate. Born in Seville, like Mr Gonzalez, and deputy prime minister from 1982 to 1991, when he fell out with him, Mr Guerra has publicly complained that his followers have been dropped as candidates from the party's electoral lists.

"Voters simply want a change. They've had enough of 12 years of unemployment and corruption," says Mr Luis Carlos Rejón, IU leader in Andalucia. Mr Rejón is quietly confident that a Socialist humiliation in Andalucia will prompt the dismissal of the González old guard in the governing party and a realignment of "progressive forces" to bring together the Socialist left and IU. The region, he says, is a fertile ground for "political experiments". Nevertheless, the PP must

tread warily in Andalucia, for the Socialist vote remains strongly entrenched in rural areas where unemployed labourers survive on govern-ment subsidies. Mr Arenas says the rural handouts are necessary to "preserve socia" peace", although he will fine tune them to encourage





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ELECTIONS

Spain's prime minis-Felipe González, is likely to be crucial next month's general election. Andalucia is one of the

fickle and

poorest states in the country, where gross domestic product per capita income is only 69 per cent of the national average, and unemployment is running at 30 per cent - 10 points Electorally it is crucial - its 7m people return 54 deputies to Madrid's 350-member congress, more than any other region. Since 1982 it has delivered a solid Socialist vote which

But the premier is bracing himself for a poll defeat on March 3. In his home region the Socialist party has become hopelessly divided, and the

or lost in Andalucia," says Mr Javier Arenas, regional leader

In municipal polls less than a year ago the PP captured the city halls of Andalucia's eight provincial capitals and won control of almost all the mid-

a partner in Mr González's labour law firm in Seville in the late 1960s, served in the cabinet as labour minister for five years and has headed Andalucia's Seville-based regional government since 1990, admits the PP and the Socialists are "neck and neck". In 1993, when Mr González won his fourth term in office, the Socialists won over Im more votes than the PP. That lead came mainly from Andalucia, where they gained

parliament elections, Andalucia began to follow the national voting trend. The PP polled over 200,000 votes more than the Socialists, while a sharp rise in the centre-right vote stripped Mr Chaves of his majority in the Andalucia parliament poll on the same day. Last May's municipal vote confirmed the electoral swing. More people are governed

locally by us in Andalucia than

by the Socialists and people have discovered we are moder-

more than the Socialists.

The polls confirmed expectations that the Communist-led United Left will reinforce its position as the third party in

don't wash any more." Mr Arenas - young and dynamic with quickfire repar-tee and charm reminiscent of Mr González's campaign style 20 years ago is a model of the

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challenge for the presidency. The nine men who aspire to be the Republican presidential candidate spent the weekend attacking one another, trading allegations of smear tactics, and courting ultra-conservative voters of the religious right, who are likely to form at least a third of all caucus-go-

Mr Forbes - who has bought millions of dollars worth of television advertisements to attack the Republican front-runner, Senator Bob Dole, and other rivals - complained at the weekend that he was a victim of negative campaigning. He accused Mr Dole of using anonymous telephone cailers in a "campaign of distortion" against him, designed to present him as a social lib-

eral on issues such as abortion Mr Forbes is widely despised by the religious right, which dominated the final key event of the lowa caucus campaign with a rally at a Des Moines church on Saturday night, called to protest against gay and lesbian marriage.

Only three conservative candidates attended the event the commentator Mr Pat Buchanan, black conservative Alan Keyes, and Senator Phil Gramm of Texas. But all the main Republicans, including the supposedly liberal Mr Forbes, pledged their support for the rally's resolution condemning any moves to allow single-sex marriage. Mr Buchanan urged voters to reject the "false god of gay rights". Other candidates tried to enlist God on the side of causes as disparate as introducing a flat income tax and welfare reform.

Tonight's caucuses, which will bring Republicans and Democrats together separately in schools, town halls and homes to vote in a straw poli for the presidency, could be: heavily influenced by voters from the Christian right. But they are not expected to vote

oters in lowa will pass their verdict today in a third support Senator Dela a a third support Senator Dole, a third back Mr Buchanan, while others prefer Senator Gramm and Mr Keyes.

Very few of these highly motivated voters are likely to turn out for Mr Forbes though he was trying so hard to appeal to social conservatives that he turned up to campaign on Saturday accompan-ied by his wife and daughters, to make a powerful visual statement on family values.

The success of his campaign could well turn on the reaction of lows voters to his negative advertising campaign. And there were signs at the weekend of a voter backlash against it. A poll conducted by the Des Moines Register newspaper showed Mr Forbes slipping behind. It gave Mr Dole 28 per cent support, well ahead of Mr Forbes with 16 per cent and Mr Buchanan with 11 per cent.

But opinion polls are notably unreliable in predicting caucus results, as they poll registered party members rather than the smaller pool of voters who are likely to attend caucuses.

n the end, dominance of the crowded nine-man field, which also includes former governor Lamar Alexander of Tennessee, Senator Richard Lugar of Indiana, Mr Robert Dornan of California and Michigan industrialist Mr. Morry Taylor, could be determined more by campaign organisation than anything else. Senator Dole, who has bussed in 300 young supporters from neighbouring states to drive voters to the caucuses and staff the phone banks, has spent more money and time on organisation than the other candidates. Mr Forbes has spent only a fraction of his millions so far on grassroots organisation.

And Republicans will have been reminded at the weekend that their main task tonight is to pick someone who can beat incumbent President Bill Clin ton. Mr Clinton campaigned in Iowa on Saturday, and drew by far the biggest crowd of the the size of any Republican rally.

Patti Waldmeir



# Digital Barbie sets the trend in \$1bn market

👣 Virtual Barbie, a digitalised version of the "real" queen of playland, is to lead an attempt by Mattel to exploit an untapped sector of the toy market, worth an estimated \$1bn a

In company with characters such as Polly Pocket and Cabbage Patch Kids - but leaving behind her male friend, Ken -Barbie, her wardrobe and make up kit have been transferred on to CD-Rom.

The California based multinational hopes its first computer age products, developed and marketed by a new subsidiary, Mattel Media, will capture the imaginations of girls aged between six and ten, who typically spurn computer games and entertainments.

Mr Dong Glen, president of the new company, hopes to hitch his products to the rising trend in multi-media home

By the end of this year, he says, the number installed in US households should be well

According to Mr Glen, girls "drop out" of the market at the age of six, after mastering mainly educational software, and turn to typical play pat-terns. These, he says, reflect children's perceptions of what

"warriors", are well provided for with aggressive screen games; Mr Glen estimates 85 per cent of all entertainment software is designed by and for boys or young males.

The more social and romantic roles favoured by girls, who also like to play in groups, include, in the case of Barbie dressing, combing, and making up in preparation for a special

In one kit, due in the shops later this year and expected to sell for almost \$40, the CD-Rom disc is packed with computeraided design data more usually found in industry, which allow a child to fashion complete wardrobes for Barbie.

Clothing components may be adjusted at will until the doll is dressed and ready to be animated for a walk down the fashion show ramp. At this point the child can print out her designs on special fabric before assembling the clothes

ready for wear. In another first, Barbie will be heard speaking on screen in French, German, Spanish, Ital-

ian and English. When Barbie gets to sweep Ken off his plastic feet is not an issue Mattel is prepared to

#### **NEWS:** THE AMERICAS

Scientists remain optimistic that systematic hunt for radio signals will pay off eventually

# Search for alien life form draws a blank

We are still alone. The recent discovery of three planets orbiting distant stars has given new impetus to the scientific search for extra-terrestrial intelligence, known as Seti to its devotees, but no clear signals have yet been detected. The leaders of the world's four main Seti projects, all

the sky systematically for microwave radio signals from alien civilisations - would pay off eventually. And they hoped that publicity over the discovery of new planetary systems would bring in private research funds to

lack of it. All the participants said they remained optimistic

that their strategy - to search

support Seti. The US Congress cut off pubbased in the US, met at the lic funding through the space American Association for the Advancement of Science conagency Nasa in 1993 as some ference in Baltimore yesterday politicians portrayed the scien-

intelligence as being little dif- Hundreds of stars, including ferent from the unscientific investigations of UFOs and alien abductions,

In fact, said Prof Lori Marino of Emory University, one of the conference organisers, "Seti is pursued using the scientific method. It is as different from the pseudoscience of UFOs as any college course in physics

or chemistry would be." None of the four groups has found clear evidence of intelligent signals from outer space, despite occasional claims to the contrary in the media.

those recently discovered to have planets, have been scanned without success.

Absence of evidence is not evidence of absence of extraterrestrial civilisations," said Prof Dan Werthimer, head of the Serendip search at the University of California, Berkeley. "Our civilisation is just been ning to develop the techniques, and our capabilities for search are doubling every year."

Perhaps the most puzzling signal detected so far was recorded in 1977 at Ohio State

University's radio telescope. This so-called "Wow" signal named after the scientists' initial reaction to it - was an "astoundingly strong" burst of microwave radiation in an

> The Wow signal could not have originated from any known natural process, but unfortunately it lasted only for a minute and, despite many searches over the years at the same frequency, has not been

extremely narrow band, said

Professor Robert Dixon of Ohio

that he was about to re-analyse recordings of the signal, with a grant from the Planetary Society, in an attempt to solve the

Meanwhile, radio signals from Earth radiate out through the cosmos. "Early television broadcasts such as 'I Love Lucy have gone past several Prof Werthimer. "Perhaps we will one day intercept another civilisation's unintentional leakage or even an intentional message beamed our way."

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# Cuts at Northrop hit aircraft sector optimism

By Christopher Parkes in Los Angeles

Hopes raised by Boeing's plans to take on new workers in the west coast aircraft industry's first large hiring programme since 1989 have been hit by the threat of further cuts at North-

The military aircraft specialist, which last week reported record profits for 1995, is expected to reduce its assembly workforce by at least 1,000 in the short term following Thursday's announcement that the Defence Department will not be ordering more Northrop B-2 bombers.

Although a formal jobs policy pent is not expected for two weeks. Boeing shares rose to a 52week peak of \$82% on Friday following reports that the Seattle-based group would hire 5,000-7,000 people in the next 12 months. The mood in the group, which shed

almost 30,000 jobs in the last recession, has been improved by stronger foreign orders, although most are for smaller aircraft. US carriers are still bogged in extended price wars and are reluctant

to invest in fleets. The economy in Washington state

is among the weakest, with manufac-turing employment falling more than 8 per cent last year, compared with a decline of only 0.2 per cent in the region as a whole. California on the other hand, is rid-

ing a wave of expansion in the entertainment and electronics industries which has obscured continuing strains in the aircraft business.

McDonnell Douglas, which has large plants in Los Angeles, may benefit from some increased contract work on Boeing aircraft components. but the basic difficulties caused by lagging behind Boeing and Europe's Airbus Industrie in the civil aviation market remain unsolved. On-off erger talks with Boeing are expected to resume soon.

Meanwhile, Northrop Grumman, which is completing the \$3bn purchase of Westinghouse's defence and electronics arm, continues its transformation into an electronics

concern. The wisdom of the strategy was underscored by last week's bad news from the White House, which followed several months of hints that President Bill Clinton favoured buying more B-2 "stealth" bombers.

Los Angeles-based Northrop has not yet decided on the future for the B-2 workforce, estimated at almost 9,000, when the air force's current order for 20 aircraft is completed in

Plans had already been drafted for extensive payroll cuts and factory clo-sures as part of the group's focus on industry sectors less sensitive to political pressure and government budget

Some staff will still be needed beyond the turn of the decade to update and modify aircraft already in

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### Japan and S Korea bring territorial row to a head as nationalist sentiment hardens

# Battle lines drawn over island dispute

he row between Japan and South Korea over the ownership of an island in the Sea of Japan represents a potentially serious dispute, with neither side preparing to back down as nationalist sentiment hardens in both countries.

Mr Ryutaro Hashimoto, leader of Japan's Liberal Democratic party and a proponent of an assertive foreign policy, marked a shift to the right when he took over as prime minister last month from the pacifist Mr Tomiichi Murayama, the head of the Social Democratic party.

The shift has been in tune with the public mood, judging by the nearly 60 per cent support his government has achieved in opinion polls.

The integrity of Japan's national identity is high on the agenda of Mr Hashimoto, who last summer won plaudits for beating off US trade demands in a dispute about access to the

Japanese car market. He was until last October the chairman of the main association of second world war veterans' families and opposed Mr Murayama's proposal last June for the first parliamentary apology for Japan's war record to mark the 50th anniversary of Japan's defeat.

In the event, Mr Murayama was reduced to making a personal apology, without parliamentary backing. It created an ambivalent impression which went down badly in South



Korea, still harbouring painful memories of its time as a Japa-nese colony from 1910 to 1945. But even Mr Murayama, later last year, was to offend South Korea by claiming that the 1910 annexation treaty was legally valid, a remark for which he later apologised in the face of the inevitably angry Korean response.

Japan's relations with South Korea have been strained on

nations established diplomatic ties in 1965. Indeed, the delegation of Japanese MPs that was due to arrive in Seoul yesterday, and which has now been cancelled because of the island dispute, was to discuss other problems, such as the question of compensation for Korean 'comfort women" forced to be prostitutes for Japanese soldiers during the war. A United Nations panel last

week called on Japan to make official compensation, but Tokyo rejected the recommendation, which has further poisoned relations with Seoul

Against this tense background, both sides have forced the dispute to a critical point. Until recently, Japan tolerated Korean occupation of the island despite Tokyo's formal position that it has been Japanese territory since an agreement with Korea in 1905. But that changed when the Japanese government drafted

### legislation for the ratification of the United Nations conven-China 'pirate' ship held

The Philippine Navy seized a suspected Chinese pirate ship and its 20 crewmen over the weekend after they tried to ram a navy boat in a gun battle north-west of Manila, Reuter reports from Manila. There were no casualties in the second sea clash in three weeks between the Philippine Navy and suspected Chinese vessels off the Subic Bay free port, an area notorious for pirates. Two navy patrol ships and a gunboat engaged the vessel, driving it back to land with heavy gunfire. Capt Ernesto de Leon, who commanded the navy force, personally briefed Presi-



South Koreans, angered by Tokyo claims, chant anti-Japan slogans in a Seoul park yesterday

tion on the law of the sea, due for adoption in the current par-

The UN convention, which came into force in November 1994, permits signatories to declare a 200-mile exclusive economic zone around their territory and provides them with exclusive rights to fishing and other maritime resources Janan's civil servants could not resist the temptation to include the island as Japanese

Japan's renewed interest in what it calls Takeshima, and the Koreans call Tok-do island, has confirmed the worst fears of officials in Seoul that the inauguration of Mr Hashimoto as prime minister would lead to increased tensions. The protest by Tokyo over the proposed Korean construction of a pier on the island is seen as a sign of resurgent Japanese

nationalism and territorial

President Kim Young-sam is der strong political pressure to take a firm response to the Japanese challenge. The Korean public has a higher awareness about the island than the Japanese. There is even a popular song whose refrain begins "Tok-do is our land".

The row has provoked an emotional response in South Korea. Demonstrations have been held outside Japanese diplomatic offices, while a group of prominent Korean writers plans to sail to Tok-do. But there are suggestions that Mr Kim welcomes the public outrage and is even encouraging it as he faces tough parliamentary elections in April. The government suddenly enjoys wide public support as it confronts Japan, and

this is likely to benefit the rul-

threatened with the loss of its majority in the National

However, the president views an assertive foreign pol-icy as an electoral asset. His recent tough attitude toward North Korea, including the denial of food aid to its starving population, is meant to appeal to conservative voters who believe his government has been too weak in defending South Korean interests.

# tariff scheme to pay for pledges

Australia's federal government yesterday said it would scrap a scheme under which importers are given a tariff concession if there are no local manufacturers of substitute goods.

The scheme will end in July to help pay for election promises if the government is returned to office in the March

The end of the concession scheme was the main element in a complex package of revenue-generating and cost-cutting measures worth A\$7bn (US\$5.3bn) unveiled by Mr Ralph Willis, treasurer, in an the government can pay for all the promises it has made.

The Labor government published the measures hours before Mr Keating, prime minister, went into a televised debate with Mr John Howard, leader of the opposition coalition. During the debate Mr Howard said the coalition, which has been equally free in promising largesse, would release funding plans on

The tariff concession scheme would have cost the government A\$730m in the 1996/7 financial year, according to Mr

would coincide with a fall in the general tariff rate to 5 per cent, would generate about A\$1.76bn over four years, he

Another key component of Mr Willis's package was an A\$S00m-a-year revenue gain from a crackdown on wealthy

The government also announced a range of measures to save smaller sums of money. These included tightening company residence rules as a qualification for tax benefits. estimated to save a further A\$182m over four years: savings of A\$320m over the same period through internal government department efficiencies and greater use of consultants; and extension of the "reportable payments" tax system to the fruit and vegetable industry, which could find

In the TV debate a studio audience of "uncommitted voters" awarded Mr Keating a narrow victory of 51 per cent to 49 per cent

Labor's election promises over past weeks have ranged from A\$490m increased annual spending on the health system, and A\$617m over four years on the environment.

# Canberra targets Japanese recording industry seeks harmony over royalties

Government and business at odds over rights says Michiyo Nakamoto

n the cramped, twisting back streets of Shibuya, a L popular part of Tokyo frequented by the young, make-shift stalls are erected in the evenings to display an array of CDs including rock and pop, classical music and jazz.

Even to the casual passer-by, the CDs, which are between half and one-fifth the price of Japanese CDs sold at established record stores, look somewhat suspect.

They are not well-known albums, but haphazard compilations of old hits, jumbled together under titles such as "the great hits". However, these discs are not illegal, at least not under Japanese But their legality in Japan

of a trade dispute with the US in which, ironically, Japanese industry is not on the side of its own government. Japan's recording industry has been cheering the US move

has made these CDs the target

to spread the net of intellectual property protection further than Japanese law recognises. Under Japanese law, amended on January 1, the rights of recording companies and artists - known as neigh-

bouring rights - are only pro-

tected retroactively to 1971.

The US wants Japan to extend

protection back 50 years (to 1946) as in the US and most other western countries. "We feel that it would be a

very good thing to extend the protection of recorded music neighbouring rights back 50 years," says Mr Takuo Chiba, general manager of the Recording Industry Association of

Mr Chiba, whose association represents large Japanese record companies such as Sony Music Entertainment, Toshiba EMI and Victor, has been eagerly awaiting the US action. which he hopes will correct a situation the association itself has long regarded as unaccept-

Large Japanese record companies which belong to the association pay huge licensing fees to foreign companies for access to their music catalogues. These fees cover not only the intellectual property of the music composers but also the neighbouring rights of the recording artists and the

But there is a substantial grey market for CDs which are manufactured by small companies that do not belong to the RIAJ, and are sold for much less than the price of those marketed by the big record companies.

These CDs tend to be compilations of music from the 1960s and earlier, since Japanese law does not protect neighbouring rights for music recorded before 1971.

CDs of early Beatles music. Elvis Presley, Paul Anka and a substantial number of Simon and Garfunkel pieces - all extremely popular artists in Japan - are sold at street stalls for as little as Y500 (\$4.70) a disc, compared with about Y2,500 for an album produced by RIAJ members, complete with Japanese translation of the lyrics.

"These companies are taking advantage of loopholes in the law which allow them to make CDs without paying royalties to the recording artists or record companies," notes Mr Chiba. "They are dumping CDs at very low prices, which they can do because they don't pay those royalties," he com-

pay royalties covering the intellectual property rights of the music composers, according to the Japanese Society for Rights of Authors, Composers and Publishers. Mr Chiba at the RIAJ is also

recording industry.

industry For the most part, they do Japan's market, which is half the size of that in the US, where there is no such system,

has three times as many CD titles in the shops. If Japan has to change its rules. Japanese consumers will find themselves annoyed at the bad image the deprived of one of the few grey market has given Japan's things in the country that

ing party, which is has been

Mr Kim appeared to be cater-ing to public opinion at the weekend by releasing a unusually strong statement attacking Japan over Tok-do despite a recommendation by foreign ministry officials to take a more low-key approach.

John Burton and William Dawkins

The association has been lob-

bying against abolition of the

resale price maintenance sys-

tem, which has been criticised

as an anti-competitive practice

that keeps prices high in

CDs and say we are calling for

keeping the resale price main-

tenance system while at the same time dumping our prod-ucts on the market," he moans.

Companies which sold these

discount CDs were hurting

RIAJ members not only by

dumping products but also by

giving them a bad image.

Mr Chiba fully supports the

US move to stamp out the dis-

count CDs. Discount CDs are

also outside the resale price

maintenance system and Mr

Chiba believes that maintain-

ing prices in an orderly man-

ner under this system, which

allows retailers to return

unsold stocks, is good for the

Thanks to the system,

"People see these discount

#### INTERNATIONAL NEWS DIGEST

# Taiwan to lift shares ceiling

Taiwan plans to lift a ceiling on foreign investments in domestic shares from 15 per cent to 20 per cent of total market capitalisation, the central bank said. The move could take effect as early as the end of this month, in time to boost flagging share prices before the country's first presidential

The new ceiling will include investments by foreign individuals, once such investments are permitted. Currently only foreign institutional investors approved by Taiwan authorities are allowed to invest in Taiwan's stock market. No definite date has been set for the admission of foreign individuals, with estimates ranging from the end of this month to the end of June.

#### China's trade surplus to fall

China's trade surplus is expected to fall sharply this year to about \$5.5bn from last year's \$16.6bn, following reductions in tariffs and a cut in tax rebates on exports.

Mr Ma Jixian of the State Economic Trade Commission expected imports to grow this year by about 25 per cent compared with 14 per cent last year. Tariff cuts to come into effect on April 1 would help fuel imports.

He expected export growth this year of 10-15 per cent compared with 23 per cent in 1995. Exports have been sluggish in the first weeks of this year, but are expected to strengthen after the spring festival holiday beginning on

#### France 'to stick to Emu rules'

France will stick to the timetable and rules for European. monetary union, Mr Alain Juppé, prime minister, says in today's *Die Welt* in an interview timed to coincide with his meeting in Bonn later in the day with Chancellor Helmut Kohl. Recent suggestions that softer Maastricht criteria for monetary union might help the French government to reduce deficits were "perfectly perverse", Mr Juppé told the German

The French premier has been swift to dissociate himself. from any call, like that recently made by ex-President Valèry Giscard d'Estaing, for the Maastricht criteria not to be taken too literally, for fear of upsetting the Germans and of diminishing political pressure for spending cuts and tax rises David Buchan, Paris

#### Rumours hit Taiwan bank

A medium-sized Taiwanese bank has suffered a run on deposits following rumours that the bank's chairman had borrowed from the bank to invest in shares. By close of business on Saturday, investors had withdrawn T\$9.1bn (US\$332m), about one quarter of the deposit base of Medium Business Bank of Taitung in the south-east of the island. Further withdrawals are expected today.

Several other banks, whose share prices fell on news of the run, met to discuss an aid package and have agreed to lend up to T\$12bn in cash to the stricken bank to meet withdrawals. Laura Tyson, Taipei

#### Cuba frees three prisoners

Cuba has released three political prisoners to a visiting US Democrat congressman, in an apparent goodwill gesture aimed at trying to persuade President Bill Clinton to change US policy towards Cuba.

Mr Bill Richardson, a Democrat congressman for New Mexico who is also the deputy whip of the House of Representatives, returned to the US with the released prisoners at the weekend after talks with President Fidel

The three former detainees, who had been jailed for between nine and 13 years for rebellion and "revealing state secrets". were on a list of political prisoners whose release Mr Richardson had requested from Mr Castro during an earlier visit to Havana in January.

The US State Department welcomed the move but stressed that Mr Richardson had been acting on his own initiative and not as an envoy for the US government. While welcoming the releases, the department repeated a call for the Cuban government to free more than 1,000 people being held for their Pascal Fletcher, Havana

#### Severe floods hit Jakarta

The indonesian capital has been hit by severe floods for the second time in a month, leaving thousands homeless and disrupting electricity supplies and telephone lines. Last month's floods, the worst in 20 years, have been blamed for pushing the year-on-year January inflation rate above 10 percent for the first time in three years.

January's year-on-year rate was 10.98 per cent, with increased food prices driving the overall rate higher. There is: concern that the latest floods will carry higher food prices. through for at least another month, causing the inflation rate to remain over 10 per cent. Torrential rains overwhelmed a network of rivers in

Jakarta, killing at least six people and paralysing the capital. Yesterday workers from Telkom, the state-controlled domestic phone company, were working to restore some of the 75,000 telephone lines that were cut in the rising waters. Areas in and around Jakarta's central business district were

covered by 60cm of water while other parts of the capital were submerged in 2m of water. Manuela Saragosa, Jakarta

#### Row splits Argentine party

Argentina's governing Peronist party yesterday celebrated the disintegration of the Frepaso party, whose two main leaders said they could no longer work together.

Mr Jose Octavio Bordón, who came second to Mr Carlos Menem in last May's presidential elections, left Frepaso at the weekend after months of backbiting with his vice presidential running mate, the more leftwing Mr Carlos "Chacho" Alvarez. The dispute centred on Frepaso's candidate for Buenos Aires mayoral elections due to be held in June.

Frepaso, which in recent years has dealt the Peronists three punishing electoral defeats in the federal capital of Buenos Aires, will now find it hard to construct a national apparatus capable of winning power. Mr Bordón, who is joining forces with Mr Gustavo Beliz, a Peronist defector, faces an uphill battle to build an electable "anti-corruption" alternative to David Pilling, Buenos Aires

# Bangladesh election violence claims 12th life

By Mark Nicholson in Dhaka

Political violence in Bangladesh vesterday claimed its 12th life in the run-up to Thursday's opposition-boycotted elections. The shooting of a police chief, during clashes with opposition activists in Chittagong. prompted Mrs Khaleda Zia, the prime minister, to warn of "stern action" against opposition parties which are planning a week of strikes in protest

More than 300 people were injured and a policeman killed in central Dhaka on Saturday as police armed

cannons broke up a rally of around 5,000 opposition demonstrators. many hurling bricks and home-made bombs. Two bank branches, several petrol stations and election booths were set alight in a two-hour clash, which 2,000 police and paramilitary forces otherwise contained.

More violence is expected this week

as Bangladesh's three main opposttion parties, the Awami League, the Jatiya party and the Jamaat-i-Islami, will seek to paralyse the country, calling a transport stoppage tomorrow followed by a general strike, or

with shotguns, teargas and water hartal, on Wednesday and Thursday. The election follows last November's dissolution of parliament after more than a year of protests led by Sheikh Hasina, leader of the Awami League, which resulted in the three parties resigning from parliament.

Opposition parties claim Mrs Zia's Bangladesh Nationalist party is incapable of holding free and fair elections and should resign in favour of an interim and neutral caretaker government with no interest in the poll result.

Mrs Zia has consistently rejected the demand as impossible under Ban-

gladesh's present constitution, arguing that she is also constitutionally obliged to proceed with this week's poll even in the face of a boycott. The government says 41 smaller

parties will contest the election with the ruling BNP, though none of these won more than 0.3 per cent of the vote during the 1991 election which brought Mrs Zla to power. Forty-nine RNP candidates have already been returned anopposed to the assembly's 300 elected seats.

The three opposition parties, which together captured 54 per cent of the vote in 1991, have branded the poll a

"farcical" and "voterless" election which, Sheikh Hasina said yesterday "must be stopped".

seem genuinely cheap.

Despite skirmishes expected across the country, particularly in Dhaka and Chittagong, on election day, the government, backed by 200,000 police and security personnel at 21,000 polling stations, is set on holding the poll, hoping that thinly-based opinion poll predictions of a 30 per cent turnout may materialise.

The opposition says no more than 5 per cent of Bangladesh's 56m voters will turn out. More than 56 per cent voted in 1991.

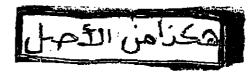
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# Blast shatters Adams' credibility

If there was anyone yesterday who looked more shattered than Mr John Bruton, the Irish prime minister, it was Mr Gerry Adams, who for the past 18 months has been attempting to give militant republicanism an acceptable public face.

In a gruelling schedule of media interviews, the Sinn Féin president seemed sheilshocked and irascible, his eyes bloodshot from the strain of

the last couple of days. Mr Adams' assertion that he knew nothing of the timing of the IRA's announcement to end their ceasefire appears to have been accepted by politicions in Dublin. It is nonetheless hard to accept that he was unaware that an end to the ceaselire was in the wings.

By the same token, it is clear that Mr Adams no longer has any real clout with the bard men, who seem intent on their return to the long war. Mr Adams' role in the peace pro-

**ECONOMY** 

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**Financial** 

cess was largely based on the was not taken lightly, and cerassumption that he did speak tainly not for short-term authoritatively for the IRA.

The Irish government's decision to sever formal ties with Sinn Fein was described by Mr Adams as "disappointing. But Dublin's position has an inescapable logic as it was Sinn Fein's assurances of the IRA's good faith that was taken as the passport to bring Sinn Féin in from the political wilder-

Irish republicanism has an unhappy history of factionalism and bloody feuding, from the shooting of Michael Col-lins, the guerrilla leader who negotiated partition, to schisms in the 1970s over whether to contest elections to the Irish parliament.

The prospect of another split may go some way towards explaining the IRA's decision to abandon the peace process. If one thing is for sure, the decision to return to violence advantage.
For Mr Adams personally,

there must be a real question about his safety. He has a bodyguard and even during the ceasefire was said never to sleep in the same house for two consecutive nights. His precautions may now have to extend to cope with vengeful elements within the IRA.

The IRA had never given more than a conditional endorsement to Mr Adams' endeavours. For all Mr Adams' fine words about the peace strategy being his priority, Friday's bomb would appear to have ended the co-operation between Mr Adams and Mr John Hume, leader of the constitutional nationalist Social Democratic and Labour party.

Mr Adams and Mr Hume coaxed the IRA to go along, but their continued support was Patrick Mayhew, the Northern always contingent on tangible

results. Although Irish politicians are anxious not to blame the British publicly, there is a widely held view that a more flexible attitude from the British in areas such as prisoners could have given Mr Adams more room for manoeuvre.

Instead, there has been a mounting frustration with the lack of progress towards all-party talks. Even Dublin's Forum for Peace and Reconciliation, set up to provide Sinn Fein with a way in from the political cold, has ended as an exercise in isolating the republicans, who refused to endorse its concluding report on the Ultimately, it was the repub-

licans' perception that Mr Major's electoral vulnerability at Westminster had put the unionists in the driving seat. London can have little real expectation that Mr Adams will condemn the IRA as Sir

demanded. Equally, Mr Bruton can hardly expect the IRA to announce another ceasefire this time with verification - as was demanded on Saturday. Republicans will instinc-

tively blame the British for foot dragging, and playing to a unionist agenda, but Mr Adams is also seen to have misread British inten-

"The IRA reassessed its posi-tion and decided that the British response to the ceasefire was a military, one not a political one," says a nationalist councillor in Belfast. Mr Adams took his cue from

Mr Hume, believing that British policy had changed, that with the support of constitutional nationalists and the lrish American lobby, they could bring the unionists to the negotiating table. After 18 months, that had not hap-



Shell-shocked: Gerry Adams seemed irascible from the strain

# Premiums threat as cost estimate tops £150m

Many businesses could see terrorism insurance costs increase by as much as twothirds following the South optimistic Quay bombing, threatening fresh disouiet over the government-backed insurance scheme introduced after earlier IRA London officials were attacks in London. attempting yesterday to play

down the impact on the capital The Association of British as a financial centre following Insurers last night estimated the IRA bombing in Docklands. that insurance claims could Mr Michael Pickard, the chairman of the London Docktotal between £75m and £150m. Assesments by Thomas Howell, the loss adjuster, lands Development Corporasuggested that damage caused tion, said he was hopeful that the bombing would not have a by Friday night's explosion long-lasting impact. 'The hiswould cost at least "tens of millions of pounds" - although tory of these occasions is that the publicity causes a pause [in much would depend on the reports from structural engilettings] and no more than that," he said. Mr Bernard Harty, the chief

neers this week.

SECURITY - By Jimmy Burns

executive of the Corporation of London, said the City had demonstrated "a tremendous ability to recover" after the Bishopsgate bombing in 1992. "This kind of terrorist activ-

ity is not unique to the UK. It has happened in America, in Japan, in Frankfurt and in Paris," be said. "Businesses know that major centres will be a risk and that if they move to other places, that risk will transfer to other places."

Mr Harty said that since the and its neighbouring areas had attracted some significant international banks.

Yet all these banks announced their plans after the IRA declared its ceasefire in August 1994. Westdeutsche Landesbank and Deutsche Morgan Grenfell announced intentions to move to the City soon after the ceasefire, and ABN Amro Hoare Govett said only this month that it would bring together all its UK operations in a new London headquarters in Spitalfields.

There is an acceptance that further bombings in London could still alter foreign perceptions of the capital as a financial centre. "What happens in the totality of London in the peace process will be important," said Mr Pickard, "We cannot buck a trend."

Close attention will now be paid to those companies contemplating moving to Docklands. Reader's Digest is one of the largest companies to have declared an intention to move but which have not yet signed The US company, which is

negotiating to buy a 140,000 sq ft building for its new headquarters, could not be contacted yesterday. Over the past four years

Docklands has won some significant new clients, including Barclays de Zoete Wedd, the investment banking arm of Barclays Bank. Mr Pickard said 70 per cent

of the 13m sq ft of space in Docklands had been let, up from 30 per cent in 1992. The 4m sq ft Canary Wharf complex has received commitments for 80 per cent of the space, even if not actually let. He said the current rate of letting about Im sq ft a year - would see Docklands fully let by March 1998 when the Jubilee Line extension is due to

open.
The LDDC hopes the arrival of the Jubilee Line will trigger the next phase of development. already developed, there is 4m sq ft with planning permission. How quickly this is developed depends now on the prog-

ress of peace talks. The bombers have moved up and down London." said Mr Pickard, "They have made two efforts - one successful and one unsuccessful - in Docklands. Our confidence depends on London not being seen as a particularly difficult town."

The fears of many companies will be that insurance claims falling on Pool Re - the statehacked terrorism "reinsurer" which underwrites policies sold by conventional insurers - will exceed £75m. Above that level, Pool Re would be able to claw back substantial extra

January 1. Mr Andrew Neale, the disaster manager at Thomas Howell, said the damage at South Quay was likely to be less expensive than that caused by the IRA's bomb attack at Bishopsgate in April 1993 which cost Pool Re £325m. "There is evidently a less broad area affected and the

said. However, insurance claims were likely from damage to buildings, contents (including expensive computer equipment), business interruption and loss of profits and rent. Moreover, previous terrorism threats to London Docklands mean most businesses sums from those who have based there are likely to have bought its policies since bought terrorism cover.

Some insurance costs, particularly from houses and smaller businesses, will be absorbed by conventional insurers rather than Pool Re. Some may also have been borne by insurers outside the government-backed scheme, including Lloyd's of London syndicates. But insurance executives

the total falling on Pool Re exceeding £75m. The threshold is important because of Pool Re's discount system. Under terms announced for 1996 last November, the reinsurer said it would collect only 60 per cent of the policy premium at the start of the period covered. The remaining 40 per cent would be waived if claims occurring to Pool Re do not exceed £75m

In addition, if claims rise above £75m. a 20 per cent premium rate discount on premium rates introduced for 1996 in the light of the IRA ceasefire would also be withdrawn when existing policies are renewed. Mr Leslie Lucas, Pool Re's

that it would not be clear whether the threshold had been reached until information is sent from insurance companies - possibly within a few

The threat of extra costs to business across Britain is likely to renew debate about Pool Re which has been criticised as expensive and inflexible. Earlier this year, the Association of Insurance and Risk Managers (Airmic), which represents commercial insurance buyers, warned that many businesses are having to choose between paying high premiums - or risk going without cover.

Pool Re was set up after the

after insurers said unlimited terrorism cover would be excluded from commercial policies. The reinsurer operates as a mutual, insisting that member companies - most of the big insurance companies - sell insurance only on its terms and conditions. Only a limited market for terrorism cover has developed beyond Pool Re.

Airmic has suggested that Pool Re should be funded by a flat contribution or levy on all commercial property insurance, allowing a return to the automatic provision of terrorism cover. This would make it more akin to funds set up in other countries to protect against natural catastrophes.

Ring of steel closes on City amid new alerts

For the security forces, it is a question of once bitten, twice

Yesterday police chiefs on the British mainland and in Northern Ireland reissued while stepping up overt security measures against terrorist

attack. The measures include the reactivation of manned checkpoints on key access roads to the City of London - the socalled ring of steel introduced following the Bishopsgate attack by the IRA in 1993.

One senior City of London police officer said last night: "We obviously realise that as one of the world's major financial centres, the City could be the target for another bomb. We can't be sure it will be attacked, but we can't afford to take chances.'

In addition to restricted parking and traffic circulation, there will be roving teams of armed police units, and protection of government buildings and senior public figures will be stepped up. On the streets of Belfast, the

Royal Ulster Constabulary has increased its street patrols, while considering calling in the army as backup if and when necessary. Having erred on the side of

optimism, believing that the IRA ceasefire would hold. police and the security service M15 found themselves wrongfooted by last Friday's bomb. In its aftermath, police and security chiefs feel they have no option but to brace themselves for a renewed IRA mili-"The IRA could wait a few

days to see how politicians and the public react, but we can't rule out that the bombing will start again after that," one security source said yesterday. The reluctance to make a firm prediction reflects on the confused political situation which has developed in North-

Previous optimism was

#### Stepping up protection of the Square Mile

Exit points Gresham Street by Wood Street Moorgate by London Wall

(one north, one west) Finsbury Circus by Moorgate Beinopsgate by Middlesex Stree Houndsdrich by Aldgate

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based on the belief - shared by the British government and its security advisers - that rankand-file rumblings of discontent within the republican movement were insufficient to dislodge the willingness and ability of Mr Gerry Adams and other Sinn Fein leaders to declared. It is now believed that the

carry the IRA behind the peace Yet it now emerges that while Sinn Fein officials continued their contacts with the Irish and British government, the IRA was carefully prepar-ing its bomb attack. According to an initial assessment made by a senior anti-terrorist expert, Friday's bomb attack was almost certainly the visible result of a covert IRA intelligence and logistics operation which had been running almost from the moment the ceasefire was

IRA, far from winding down its operations, had refocused small teams on the mainland on intelligence missions with the aim of identifying potential targets. IRA hardliners have never renounced breaking the ceasefire if they considered that the peace process was leading them to deadlock

The nature, size, and location of Friday's bomb suggests that this specific terrorist attack would have involved more specific planning over a period of at least three weeks, with the final decision on the day and time taken around Wednesday of last week, when British and Irish ministers failed to agree on a Dublin proposal for a Bosnia-style round table involving all political par-

It is thought that the operation was known only to a very restricted group of people within the organisation, and may have involved the bombers answering directly to a representative of the IRA's ruling army council. The estimated 500lbs of

home-made explosive would have involved at least one IRA unit - two to three people - on a final surveillance of the area as well as on the assembly and transport of the device in a van. Other vehicles as potential decoys may have also been

The bomb is of a kind which has been often used by the IRA in Northern Ireland for propaganda purposes. It is less powerful and potentially causes fewer fatalities than Semtex. but its "wave" effect shatters glass over a wide area, producing dramatic photographic and film material

The IRA picked on a target which, in common with many other parts of mainland cities. had relaxed its security presence in recent months.

Over the weekend Sir Paul Condon, the Metropolitan police commissioner, admitted that the blast at South Quay was "completely unexpected". Previous IRA operations in the area had been focused on the nearby complex of Canary Wharf, which includes the tall est building in Britain.

Verdict reserved on violent

LOVALISTS

The loyalist paramilitary groups in Northern Ireland are adopting a wait-and-see attitude to the end of the IRA ceasefire but do not discount a

response

resumption of violence. They want to see if the London Docklands bomb was a single shot across the bows of the British government, provoked by its stand on arms decommissioning and elections to a local assembly, or the start of a protracted campaign. Mr David Ervine, of the Pro-

gressive Unionist party, which speaks for the Uister Freedom Fighters, one of the two main loyalist paramilitary groups. said yesterday that he was stunned by the resumption of violence and very angry.

"If this is the start of a new campaign then it could very well be that the loyalist groups would be forced to retaliate," he said. "We do not know for the moment.

Mr Ervine dismissed the only act if the IRA resumed violent activity in Northern Ireland. "I've heard it said that the IRA is going to concentrate on the mainland," he said. "As far as loyalists are concerned we are citizens of the United Kingdom. If there is a strike anywhere in the United Kingdom it is a strike against us."

Mr Ervine added: "I think you can say that the universality of loyalist commitment to the ceasefire is about to be reviewed. The Combined Loyalist Military Command is not due to meet until next Thursday. I would say that is a good sign. What it means is the lovalist groups are going to consider their position in a calm and orderly way."

Mr Gary McMichael, of the Ulster Democratic party, which has links with the Ulster Defence Association (UDA), the other main loyalist paramilitary group, was mavailable for comment yesterday. His party said nothing had been decided yet "and probably won't be until later in the week".

If the loyalists were to resume violence the most likely targets could be in Dublin. When tensions were running high in the province there was a series of bomb attacks in the Irish capital. In 1994 the loyalists claimer responsibility for bomb attacks in Dublin's Connolly station and in the city centre.

Both the PUP and the UDP have very weak electoral sup-port. Mr Michael Ancram, the minister for political affairs in Northern Ireland, said late in 1994, after the loyalists had declared their own ceasefire in October, that the political parties speaking for the paramilitaries had only 1.3 per cent of the vote in council elections. This compared with 10 per cent for Sinn Fein, the political wing of the IRA. They have one councillor each on two of Northern Ireland's 26 district councils, which have few now-

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In addition, Mr Gerry Adams, president of Sinn Fein, was elected to Westminster as an MP, before losing his seat in West Belfast to Mr Joe Hendron of the Social and Democratic Labour party, the moderate nationalist group. Because of their strong links with the paramilitaries, how-ever, the PUP and DUP would be admitted to bilateral talks. Their weak electoral standing meant, however, that they would not have an automatic right to participate in all-party talks.

Mr Ervine has served a jail sentence for the handling of explosives.

The Ulster Freedom Fighters has roots going back to the Ulster Volunteer Force, set up in the early part of the century to fight against home rule for all of Ireland. It is thought to have between 1,000 and 2,000 active members. The UDA is the larger of the paramilitary groups. It membership is thought to be about 6,000.

# verseas visitors shrug off fear and carry on shopping

Tourists in London's busiest shopping districts appeared undeterred at the weekend by the bomb attack.

On Saturday, shoppers thronged as usual outside Harrods in Knightsbridge, a popular spot for overseas

visitors. More than 22m tourists came to the UK last year. About haif headed for the capital, where spending by Richard Courley tourists was about 27bn.

"We live in Paris and there are a lot of bombings there so we're used to it," said Chris Clement, who arrived in London on the Eurostar train on Friday for a weekend trip, We like London and the bomb hasn't put us off. I'm surprised, though, that our bags haven't been checked in the big stores today. In Paris, bags are checked everywhere

if there is a bomb." Four weekend visitors from Northern Ireland said they were "sorry we happen to have chosen this weekend to come". One added: "We're accustomed to this sort of thing. I couldn't help wondering how long it would be before this would happen. If there's to be a permanent peace, it will take at least a generation to build trust

between the communities."

Canadian couple Giovanni and Ivana Vernich shrugged off the prospect of bombings in the capital. "If it

happens, it happens, we feel perfectly safe here," said Mr Vernich. Graham and Jean Price, on husi-ness from Liverpool for the weekend, had to cancel a meeting in Canary Wharf on Saturday because of the attack. "But we're going to enjoy ourselves in London instead. We try not to think about it because really there is nowhere that is totally secure. You can't stop living."

Helga Wollerich, in London for a

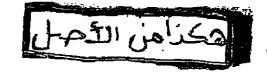
one-week trip from Frankfurt, said she was "very sad" that the bombing had happened. "But I don't feel scared shopping here in London." Frank and Jette Zackrisson, from

Aarhus in Denmark, arrived in Lon-don with their two daughters two hours before the bomb went off on Friday. "I saw it on the television this morning, and of course I was worried," said Mrs Zackrisson. "Maybe if there are more, I would

think about going somewhere else." Thai student Amporn Buranabud-sakorn said she feit "indifferent" as far her as own safety was concerned.

"Anything can happen. Anyway, I have to stay here for another nine months to finish my course in business to finish my course in business." ness studies." Ellen Verluis, who moved to con-

don from France two years ago, sauif there were further attacks she might consider returning to France.



that President Bill Clinton might take part in today's planned White House se with Mr David Trimble, the leader of the Ulster Unionist party. UK diplomats were con-vinced that he would take part, after a similar courtesy had been shown to Mr Gerry Adams, the President of Sinn Féin, 10 days ago. But the official said that he

was unaware of any immediate plans to send either Mr Anthony Lake, the national security adviser, or Ms Nancy Soderberg, his deputy, to London or Dublin.

Mr George Mitchell, the for-mer US senator who headed the international panel on arms decommissioning in Northern Ireland, is due to return to London next week. but both US and UK officials noted that this was a previously scheduled trip.
Mr Clinton underlined his

personal concern in two public statements on Saturday, first on the White House lawn and later in the course of a campaign speech in Iowa.

Recognising the threat to what has been portrayed here as one of his most successful foreign policy initiatives, the president said: "I am determined to do all that I can to ensure that the enemies of peace do not succeed."

White House officials conceded that Friday's events left them in a state of shock. One, intimately involved with the negotiations, said she felt "sick, it was horrible".

There is also considerable concern about the apparent deterioration of relations between the British and Irish governments at the weekend, particularly after the president spoke to both prime ministers on Friday night.

Mr Lake and Ms Soderberg spent much of Saturday on the telephone, including calls to the White House on Friday that the IRA ceasefire was at an end. But there was no hard evidence that the US had lost confidence in Mr Adams as a negotiator, nor that any sanctions were being contemplated

against Sinn Féin. UK diplomats said that even if Mr Adams were now viewed by the US administration as damaged goods", he may yet have a role in getting the ceasefire back in place. If he could not help in this respect, they said, he would be reduced

to a marginal role. Nor would officials voice any public criticism of British policies over the past month. Supporters of the Irish nationalist cause in the US Congress, including Mr Ben Gilman, chairman of the house international relations committee, have urged Mr Major to drop his proposal for elections prior

to all-party talks and to proceed instead directly to the negotiating table. last week by Mr Dick Spring. the Irish foreign minister, who said in Washington that "elections in Northern Ireland have, by their nature, been divisive.

# Downing St insists that peace talks can continue

By Robert Peston, Robert Shrimsley and John Kampiner

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Downing Street was last night insisting that the Northern ireland peace process could be salvaged from the wreckage of the IRA's bombing of South Quay in London's Docklands.

Following a weekend of tele-phone diplomacy with Mr John Bruton, the Irish premier, and Mr Bill Clinton, the US president, Mr Major will today say that there will be no further ministerial contact with Sinn Féin, unless the IRA announces a further ceasefire.

He will also relterate his belief that elections in Northern Ireland represent the government's preferred route towards all-party talks on a Northern Ireland settlement, in the absence of the decommissioning of arms by paramilitary groups,

However, Mr Major's "place in history", as the British poli-tician who ended 25 years of strife in Northern Ireland. appears to be in jeopardy.

Mr Major is angered by Irish nationalist allegations that he is responsible for the breakdown in the peace process by raising "hurdles" to all-party talks. He will reiterate today that it was the British govern-ment which initiated the peace process.

"It could not have happened at all, unless we had started it," said one of his close col-

He has been hampered every step of the way, however, by the threat that if he were seen to be conceding too much to the nationalists, he would have faced civil war in the parliamentary party and ministerial

"I do not expect him to give any ground [to Sinn Féin] în senior member of the government. If that was the case, he said, the parliamentary party would be "wholly supportive",

but not necessarily otherwise. Mr Bruton, who in recent tion at British tactics, suggested that Mr Major's support for elections to a constitutional convention had exacer-

This open and shut presentation in the House of Commons of the matter was a mistake." Mr Bruton said. He urged Mr Major to drop the plan. "I believe the idea of having an election of the kind suggested immediately after the resumption of violence would pour petrol on the flames. I think it would be

a serious mistake," he said. Mr Bruton said he would press ahead with his government's proposals last week for a Bosnia-style conference, in which all parties would be urged to be in the same building but not necessarily in the

same room. But Mr Bruton's credibility, which had always been low among republicans, has been dented by the resumption of violence, like Mr Major's. From the outset Mr Major's

room for manouevre in the peace process has been limited by Tory Jeremiahs who resented the way the IRA had stopped short of a full renunciation of violence.

With most of the party at least a pale shade of orange there were many who doubted that true progress could be achieved between two so thoroughly entrenched camps.

Even in the cabinet Mr Major found senior ministers voicing doubts about offering too many concessions to Sinn Fein. Preeminent among them were Lord Cranborne, leader of the Lords, and Mr Michael Howard, the home secretary.

There have been persistent rumours that Lord Cranborne, who organised Mr Major's campaign to be re-elected party leader last summer, was contemplating resignation if he perceived that the government was giving too much away to

Sinn Fein in the peace process. Senior Tory backbenchers said yesterday that the bomb would bring an effective end to the peace process in its current

One of the few Tories who has consistently advocated involving Sinn Fein in all-party peace talks described the prime minister as "a prisoner of the 20 or so hardline unionists his statement today," said a within the party who won't move unless David Trimble [the Ulster Unionist leader] says it is okay to do so," said the backbencher

A number of the most committed unionists were also yesterday making clear that they believed the bomb had ended the current peace process. In large measure these MPs are among the rightwing sceptic fringe which has caused the prime minister so much diffi-

culty over Europe. Mr Nicholas Budgen, a leading Tory unionist, said yesterday that he "didn't see how" the government could continue to deal with Sinn Fein. Mr Neil Hamilton, another leading unionist, said that he doubted Mr Major would want to show flexibility even if he could.

## Newspapers redraw the battle lines PRESS REVIEW

UK NEWS: NORTHERN IRELAND PEACE CRISIS

papers, like so many aspects of life in the province, are divided into unionist and nationalist

"IRA Kills The Peace" said the banner headline in the News Letter, the newspaper of the majority Unionist community. Most people were caught off guard by the IRA's devastating London bomb. Not the

Torthern Ireland news

News Letter. "It is a development which will hardly surprise those who had enough wit to realise that the IRA ceasefire of August 31 1994 was nothing more than a ploy by the Provo High Command to wring major political concessions from the government for the narrow republi-

The News Letter says the government cannot allow itself to be intimidated by what it describes as IRA blackmail. It says those who carried out the bombing are totally unrepresentative not only of people in Northern Ireland but of those on the whole island.

"They have absolutely no mandate to commit murder and mayhem and those who would try to make excuses for their actions by attacking the government for refusing to bow to naked aggression are resentment among nationalists

clearly aligning themselves about what was seen as the

with these forces of evil." The Sunday Life, which also reflects unionist opinion, says that in the split second it took to detonate the London bomb, Northern Ireland was once again put on a war footing. "The police are back in flak jackets, with rifles at the ready, double patrolling has been reintroduced and vehicle checkpoints are springing up

The Sunday Life warns that if the British government continues talking to Mr Gerry Adams, the leader of Sinn "Northern Ireland does not want a return to war. But its citizens will not bend the knee to those who would wage war or their politicians who cannot bring themselves to issue a simple condemnation of such

naked aggression." The Irish News, which is aligned to the nationalist community, takes a very different

stance. While the newspaper condemns the bombing, it goes on to talk of the growing sense of

unwillingness of the British government to grasp the opportunity for progress offered by the IRA ceasefire.

Impact: severe damage was caused to the Docklands building targeted by the terrorists (top left) and extended to surrounding streets (top right). Police investigating the bomb attack have issued a sketch of a suspect vehicle in an appeal to the public for information, while in Belfast new graffiti made a pointed contribution

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It says that talking to Mr Adams still offers the best chance of peace and warns of the dangers of any British attempt to drive a wedge between him and the IRA. "Mr Adams remains the man

most likely to bring the IRA away from violence and into the democratic process" says the Irish News. It says Mr Major's call for Mr Adams to condemn events in London was The Irish News also contem-

plates the dire consequences the London bomb could have on the fragile economic revival in Northern Ireland. It points out that only a week ago Mr Adams was in the US, banging the drum for American investment in the province.

"Even with peace, Northern Ireland was never at the top of the investors' agenda, However, it was at least part of the equation. The return to the bomb could signal a depressing downturn from which the



SOUTH QUAY

Neighbourhood

LDDC Office

London

Visitor Co

Martyn Turner's view in Saturday's Irish Times

north's economy may never ed-about person in the Irish taken up south of the border by the Irish Independent. It says that early expressions of interest from foreign investors had tailed off in recent weeks as a return to violence loomed. The paper gives a bleak assessment of the mood in the

aftermath of Friday's bomb. "We have violence back again in our midst. It will affect all of us. It removes, in a permanent and distressing way, all initiatives leading to a peace in the future."

Mr Adams is the most talk-

The Sunday Tribune. another Dublin paper, says that if the Sinn Fein leader fails to find a way out of the political mess the IRA has cre-

ated for him, he is "a candidate for history's scrapheap".

Sinn Féin and Mr Adams were

bewildered by the IRA action.

The paper quotes an IRA con-

tact who said that Mr Major's

proposal for elections in the

north was the final straw for

the group's rank and file.

Kieran Cooke

BOMB SITE VISIT - By Scheherazade Daneshkhu

# Blasted building frames a view of West India Dock waters

It used to be a nondescript London junction, like thousands of others. Now it is a 14-foot-wide crater, filled with twisted metal and broken masonry. It was, said Mr John Grieve, the commander of the antiterrorist branch of the Metropolitan Police, amazing that more people were not killed by Friday's bomb. Looking at the damage, it was difficult not to agree.

Every single window of the tall

buildings surrounding South Quay Plaza, where the IRA's bomb

exploded on Friday, appeared to Quay Plaza, were similarly devast he slip road, which was covered force of the blast were allowed viaduct. The station itself lost most have been blown out. The explosion, powerful enough to expose the frame of the building, left hundreds of shards of broken blue glass hanging from the shattered window frames. Gazing through, it was possible to see the grey waters of West India Dock.

A concrete structure a few feet away from the crater was unrecognisable. It used to be a shopping mall and newsagents. Offices belonging to Midland Bank, opposite South

tated. Metal and rubble littered the area and the frosted glass of South Quay Station lay thick on the ground like fresh snow. Over the devastation hung a blanket of silence. In sharp contrast to the fran-tic activity after the explosion on Friday night, there were no sirens, no paramedics, no helicopters.

The bomb exploded in a blue flat-

Plaza. It was impossible to identify

back lovry parked on Marsh Wall next to a slip road into South Quay

with debris, Mr Grieve said the crater was so deep that no one had vet fathomed the bottom and there was a lot of water in it. The bomb. thought to have been between 500lbs and 1,000 lbs, ruptured the gas mains and kept police out of the area for six hours until repairs were made. Both ends of Marsh Wall were curdoned off by police, their luminous lime-green jackets signalling a barrier to entry. A few people working in offices further away from the full

through. Most offices, however, bore of its glazing, and decoration and some scars of damage.

of its glazing, and decoration and required "considerable refurbish-Amazingly the Docklands Light

Railway viaduct was still standing even though the bomb exploded almost directly underneath it. Wiring and construction materials hung from the structure.

Docklands Light Railway said a

preliminary inspection showed that the station and structure were fundamentally sound although some

ment". There were no trains running south of Canary Wharf yesterday, but trains were operating on the northern leg. Docklands Light Railway said there would be no services until the weekend at the earliest. The police appealed for information about the lorry, probably based on a Ford cargo chassis and was manufactured in 1985. Its number

leading to polarisation, winners and losers."

# Dublin and London must stick together and prepare for the worst

he IRA controls Sinn Fein in the same way that Mussolini's Black Shirts controlled the fascists. Once again that stark message came through loud and clear on Friday night.
What happened in the Dock-

lands was truly dreadful. It could signpost an end to hope for the foreseeable future. It was dreadful for those maimed and wounded, dreadful for the mage of the City of London, dreadful for John Major, John Bruton and, of course, Bill Clinton Above all simply dreadful for the people of Northern Ireland. Fear now once again stalks the ghettos of west Belfast, fear of what Will happen next.

Whatever else, this is not a time for recrimination between politicians. They must stick together. Everyone has done their best within the political possibilities to bring the terrorists in from the cold. The fact that the IRA have decided otheruche has more to do with their own perverted judgments than any failure of political tactics or strategy in Dublin

and London. So the two gov- gain." The IRA came to the ish mainland succeeds in forc- ger a bigger sectarian backlash process will start again, ernments must now hang peace process, as they saw it, ing John Major into making - even worse - on the streets. together and prepare for the

One of the first priorities must be to make sure that the Federal Bureau of Investigation immediately collects the money raised in the US by IRA sympathisers over the past 18 months. Otherwise this could turn into a massive treasure trove for funding the IRA and supplying their active service units with yet more weaponry. We must also not be guilty of

wishful thinking. This is a return to violence by the IRA, not a splinter group or a faction, but by the movement. It has come about because those who were against the peace process from the start have won the argument. "One further great violent push against the British," they argue, "will force Britain out, leave the unionists humiliated and

losing but as equal partners with as much right through the power of the bullet to decide Ulster's future as those who were elected.

If Sinn Féin's leadership now claim they suspected nothing of the IRA's intentions that is because they did not want to know. It is stretching the imagination to breaking point to believe that Martin McGuinness and Gerry Adams, both former commanders of the IRA, were not aware of the decision for a further blitz-

From Adams' perspective. last Friday's bombing has three benefits. Firstly, it avoids schism from which would come a bitter internal war where his own life would be

peace process, as they saw it, ing John Major into making not as supplicants who were concessions, the IRA will have been vindicated and remain united. Thirdly, if the campaign fails, Adams can return to the political forum with his internal position strengthened.

Richard Needham, a former Northern Ireland minister, in a personal view, says that

a rapid crackdown on the IRA will allow the economic path to peace to continue

This is an appalling prospect as the IRA entirely misreads the position. There is no conceivable chance of the British government wavering. The more the bombs, the more the British people will stiffen their resolve. And politically an intensified bombing offensive can do nothing but underpin the position of the prime minis-

If the IRA expand their campaign so the retaliation will also start again. The Protestant paramilitaries will not have forgotten that the main reason for the ceaselire was very much in danger, their indiscriminate campaign Secondly, if an escalating cam- of sectarian murders. And a

of Northern Ireland. Nor can Dublin expect this time to remain immune if the

violence on the British mainland escalates to the towns and cities of Ulster. So what to do? At this stage prepare determinedly for the worst. Cross-border security

will have to work hard at every level to catch those who have spent the past 18 months preparing for a return to hostilities. The measures that were in place before the ceasefire will have to be reintroduced and quickly. The US, Britain and the Irish Republic must be persuaded

now to cut off all contact with Adams until Sinn Féin condemns violence and the IRA returns to the ceasefire. They are pariahs and must be treated as such. We will all have to hold fast knowing that defenceless and willing to bar- paign of bombing on the Brit- renewal of violence may trig- sooner or later the peace

months of economic regeneration have shown us what the solution can bring. Irish cars and Irish shoppers by the thousand are on the streets of Belfast. Derry has become the economic centre of the north-west as more thousands flock from Donegal to live in a city regenerated by outside investment and increasing self-belief.

now criss-crossing the border, reducing the prices and strengthening the supply chain. Millions of pounds of investment have come to Ulster from the US, Europe and the Far East since the shooting stopped. Jobs have been found for idle, mischievous hands. Southerners are investing in the North and vice versa. There are clear signs that as the economy of Ireland integrates, so, given peace, can the culture of Ireland. So perhaps and live in harmony.



Richard Needham: all contact with Adams must be cut off

in their own time the people of the North, living free from fear, will forgive and find ways of accommodating the South

Ireland will come to see - that Adams and McGuinness have done more to destroy the opportunity of a united Ireland than any two men in history. By endorsing and organising violence against the loyalist people – and indeed their own folk – they have obliterated any chance of bringing the two sides of Ireland together and the longer violence continues the longer any chance of unity will disappear into the future. My family come from the Anglo-Irish tradition and I spent six and a half years as a

minister responsible with others for rebuilding the Northern Ireland economy and the bombed towns and cities. Even before the ceasefire the conditions in Belfast, Londonderry, Newry, Armagh and Enniskillen, to name but some, have changed unalterably for the better. That progress will continue. That is the economic path to peace. It is the only path which makes any sense One day even the men of violence will be forced to see that

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# Managers buy anti-virus software company

The husband and wife who developed the Dr Solomon's Anti-Virus Toolkit software package have sold their company to a management buy-out. S&S International has annual sales of £20m (\$30.8m) and sells the Toolkit in more than 60 countries.

Mr Alan Solomon and his wife, Susan would not say how much they received for the company. The buy-out, funded by a syndicate of venture capitalists led by Apax Partners, places the Solomons among Philips wins five-year systems contract from ICI

Philips, the Dutch electronics group, has been awarded a £75m (\$115.5m) five-year outsourcing contract by ICI to run the chemical group's computer systems, Michael Dempsey writes. The contract, which involves taking on 399 staff, will be managed by Origin, an organisa-tion formed by Philips by to handle its outsourcing operations. Origin beat EDS and CSC, the

ICI deal. Other bidders included Sema, the Anglo/French group, and ICTs in-house IT department. Grundig, the German consumer electronics company, has also recruited Origin to run its IT operations. Under the latest deal Origin will take charge of ICI's mainframe comnuter centre at Runcorn in north-west England.

two leading US outsourcing companies, for the

ing north American anti-virus Britain's most successful softpackages, are highly rated Similar companies in the US. technology stocks. S&S International hopes to such as McAfee Associates expand further in the US under which makes one of the lead-

chief executive Mr Geoff "The growth potential Geary. is worldwide, but clearly the US market is the largest software market in the world,

encouraging initial success." he said Mr Jim Pullen, director of Regent Associates, an IT mergers and acquisitions consultancy, said Apax was likely to have paid between \$20m and \$30m for S&S International.

S&S International's first sales in 1984 were software packages which Mr Solomon wrote in the evenings while working as an oil sector analyst at stockbrokers Laing & Cruickshank.

He said that his wife marketed the products

part-time during the day while looking after a baby. Mr Solomon gave away the early versions of the anti-virus

software developed in the late 1980s having decided that viruses were not a threat.

"Viruses were like an urban legend in those days - no one had seen one but everyone had heard of them," Mr Solomon said. Now there are 8,000 known viruses, and hundreds of new strains are discovered each month, he added. About 300 were "a real threat".

Media Futures, Page 15

Vehicle industries Impact of EU pollution rules and of moves into contract hire makes forecasting difficult

# Uncertainty clouds truck market

Motor Industry Correspondent

Manufacturers and importers of trucks are unsure about the likely progress of their businesses this year amid conflicting signals from customers.

They agree that 1995 was a good year in which demand picked up strongly, raising sales of commercial vehicles of all types by 9.6 per cent to 249.928 units. Sales of vehicles weighing more than 3.5 tonnes rose by almost 17 per cent to 52.261 units - comfortably above the annual level of 50,000 vehicles which some manufacturers think is a long-run equi-

The picture for 1996 is more confusing. Iveco-Ford, the UK's second biggest truckmaker, expects sales to remain buoyant with an increase of up to 7 per cent to 56,000 units. "There has been a downturn in the rate of growth, but no decline", says Mr Roger Phillips, its commercial director. "While there's no euphoria, there's no doom and gloom either. There's no sign we're about to slip back into recession".

By contrast, Mr David Gill, the chief executive of Leyland Daf, the UK market leader, says prospects are uncertain because hauliers fear that the economy will soften. He believes that the rate of growth in demand for new trucks slipped in the second half of 1995, and fears that orders may now start to fall.

Mr Jürgen Knorpp, the UK

The used car market in Britain will increase by nearly 1m vehicles a year by the end of the decade, says Market Facts and Business Information, the firm of analysts. The firm also concludes that the market will provide dealers with better profitability than new cars. MFBI forecasts that used car sales through the retail motor trade will rise by 16 per cent between 1995 and 2000 from 5.6m vehicles worth £17bn (\$26.2bn) to 6.5m vehicles worth £22bn. The study coincides with statistics from the Society of Motor Manufactur-

ware entrepreneurs.

managing director of MAN Truck and Bus, is also cautious. "We expect the market to be at best stable, and possibly to fall by as much as 5 per cent this year," he says.

ers and Traders showing virtu-

ally stagnant sales of new cars

in January, a situation

Most executives admit that forecasting has become more difficult. Mr Gill says sales might still exceed last year's if customers brought forward orders before the introduction of less polluting but more expensive trucks in October.

The impact of European Union emission legislation is one of two imponderables facing the market. The new rules will oblige manufacturers to fit cleaner but more expensive engines. The 5 per cent rise in prices which is expected to result seems modest. But hauliers believe it will be enough to described as "very disappointing" by the Retail Motor Industry Federation, which represents most of the country's franchised dealers.

The analysis warns that carmakers, driven by the short-term need to keep production lines busy, are prejudicing their own well-being through what it says is the virtually "programmed" man-ufacture of nearly-new cars. These are vehicles which are pre-registered by dealers in the absence of buyers and declared to be "demonstra-tors", or used for a token period before being returned to the marketplace as "used"

affect demand in the cut-throat road transport business, in which about 60 per cent of companies are highly pricesensitive medium-to-large

Some manufacturers think the new EU rules could simply boost demand. The EU standard introduced in 1993 triggered higher sales as hauliers bought more modern vehicles which offered lower emissions and better fuel economy.

The second imponderable concerns the growing number of truckmakers establishing contract hire offshoots. Contract hire has gained popularity as hauliers have sought to offset the cost of a new vehicle by spreading their expenditure over time. Most deals include an agreed trade-in price for the

maintenance arrangements, giving operators almost complete control over their operating expenses. "Contract hire means an operator is buying kilometres, not trucks," say

one executive. Mercedes-Benz and Volvo already have contract hire divisions, Iveco-Ford is about to take the plunge, while Scania has started marketing its established operation more aggressively of late.

It is unclear how internal contract hire divisions will affect relationships between truckmakers and importers on one side and big contract hire customers such as Ryder and British Road Services on the other. Such specialists account for up to half of demand for some truck companies, one executive believes.

Mr Gill says Leyland Daf has no plans to enter the business, mainly because contract hire companies are its biggest cus-

"We're not looking to com-pete with the contract hire specialists", says an Iveco-Ford official. "But as they focus more on fleet management and logistics, such as running the entire distribution fleet for a leading retailer, we can pick up contract hire business for smaller operators.'

Whether diversification into contract hire will boost truck demand remains uncertain. But it should lead to some reallocation of business between

Monthly

Truck registrations in January 1996 Volume Share (%) Share (%)

	(Units)	Change (%)	Jan 95	Jan 94
Trucks (over 3.5 tonnes)				
Total	4,248	+1.1	100.0	100.0
Imports	2,645	+4.3	62.3	60.4
heco group" (Flat)	810	+9.5	19.1	17.6
Mercedes-Benz (Daimler-Eenz)	8G7	+1.5	19.0	18.9
Leyland Dat (Dat Trucks)	700	-19.2	16.5	20.6
Scania (Investor)	522	-42.7	14.6	10.4
Volvo	557	-12.3	13.1	15.1
ERF.	218	+3.3	5.1	5.0
MAN	202	-29.5	4.8	3.7
Renaut	142	-15.0	3.3 ·	4.0
Of which Heavy Trucks (over 15 t	ionnes)			
Total	2,812	-3.42	100.0	100,0
Scania (Investor)	622	-4 <u>2.</u> 7	22.1	16.0
Volvo	526	-8.1	18.7	21.0
Leyland Daf (Daf Trucks)	386	-16.5	13.7	17.0
Mercedes-Benz (Daimter-Benz)	352	-0.9	12.5	13.7
lveco group" (Fiat)	344	±19.0	12.2	10.6
ERF	218	-3.3	7.6	7.8
MAN	125	+30.2	4.5	3.5
Renault	95	-18.1	3.4	4.3

memes in brackets indicate ownership includes Iveco Ford and Seddon Alkinson

Volkswagen and Fiat gain in car market

		January 1996		Jan '95
REGISTRATIONS OF NEW CARS	Volume	Change%	Share%	Share%
Total market	191,761	-0.3	100.0	100.0
UK produced	75,029	-4.5	39.3	41.1
Imports	116,732	-3.7	60.9	58.9
Japanese makes	23,205	+7.3	12.1	11.3
Ford group	42,903	-3.4	22.4	23.3
- Ford	41,837	-0.9	21.8	22.6
- Jaguar	1,065	-8.1	0.6	0.6
General Motors	29,333	-U.S	15.3	17.2
<ul> <li>Vauxhall</li> </ul>	27.957	-12.0	14.6	16.6
- Saab*	1,376	+23.9	0.7	0.6
BMW group	25,794	-3.0	13.5	13.9
- BMW	5,018	-19.2	2.6	3.3
- Rover	20,776	+1.9	10.8	10.7
Peugeot group	24,516	-3.3	12.8	13.3
- Peugeot	14,708	+1.6	7.7	7.6
- Citroen	9,808	-9.9	5.1	5.7
Volkswagen group	14,902	+35.0	7.8	7.8
<ul> <li>Volkswagen</li> </ul>	9,249	+27.1	4.8	3.8
- Audi	3,449	+64.9	1.8	1.1
- SEAT	1,550	+283.9	8.0	0.3
- Skodat	654	-41.8	0.3	0.6
Renauit	11,695	-2.9	6.1	6.3
Nissan	7,477	-4.9	3.9	4.1
Flat group	7,155	+21.7	3.7	3.1
- Flat	6,868	+20.3	3.6	3.0
- Alta Romeo	287	+72,9	0.2	0.1
Honda	5,315	+8.0	28	2.6
Toyota	5,146	+21.6	2.7	22
Mercedes-Benz	3,716	-1.8	1.9	2.0
Volvo	2,906	-29.0	1.5	21
Korean makes	3,527	+274.0	1.8	0.8
GM holds 50% of Samb 4	utomobile with men	agement control. "In	thates Range Roy	er/Discovery.

### **Acquiring in Asia** The M&A market of the future

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Japanese companies in Britain

# **Profits from \$30bn** investments lag behind expectations

By Peter Montagnon, Asia Editor

Japanese companies are generally disappointed with the profitability of their investments in Britain, which now total over \$30bn, says a survey by KPMG, the accountancy

KPMG said a survey of 70 top Japanese industrial companies found that none thought their profits were high, while 40 per cent said they were average and 53 per cent said they faced low profits or losses.

Profits failed to live up to

expectations because European economies went into reverse instead of booming as the sin-gle market came into force in 1992, the KPMG survey showed.

In addition, the value of the yen soared, putting pressure on the cost of imported components. Heavy competition dented margins, especially in areas such as consumer electronics in which Japanese com-panies specialise. "Japanese companies were

under a lot of pressure in the 1980s, given the worries about Fortress Europe in the run-up to the single market," said Mr Crispin O'Brien of KPMG. There was a lot of me-too investment, but it wasn't really thought out."
There was no question of

Japanese companies pulling out of the UK, he added. More investment might flow in as component suppliers established plants. But Japanese companies were having to rethink their approach to management, marketing and service in order to increase their

learn to go in and and negotiate hard-nosed with Sir Stanley Kalms [chairman of the Dixons electrical goods store chain] and come out with a decent margin," said one former Japanese company executive.

Whereas Japanese companies have mastered the art of cheap production, they now realise they cannot compete on price alone, especially since they face competition from more recent investors in Europe such as South Korea.

Nearly 70 per cent of the companies polled said they were looking at ways to improve their overall competitiveness. There was also a need for more streamlined European structures along the lines of Toyota's regional headquarters in Brussels and Honda's cen-tralised treasury operation in London. That would help to avoid duplication of administrative support and would facilitate quick local decisiontaking without cumbersome referral to Tokyo.
Some executives say Japa-

nese companies are wrong to expect too quick a return, however. Many are starting from scratch and face large initial depreciation charges on assets such as land and buildings. "In the motor industry we all face a long-term payback," said Mr Ian Gibson, managing director of Nissan's UK operations. "With today's margins and the need to grow a distribution network, the price of entry to the market is very high." "Companies which manufac-

ture and distribute an expensive, sophisticated product need 10 years to evolve a European structure," he added.

UK NEWS DIGEST

# Pensions lawyers switch firms

Sacker & Partners, a specialist pensions law firm, has recruited the entire pensions department of rival firm Nicholson Graham & Jones. The move will make Sacker, which will have 12 partners and 20 lawyers, the biggest specialist pensions practice in Britain.

The four partners and four other lawyers recruited from NG&J accounted for about 8 per cent of the firm's income. The move is indicative of intense competition between law firms and the poaching of teams of specialists is becoming increasingly common. The team at NG&J had a high profile in the industry. Its department head, Mr Ian Pittaway, is a former chairman of the Association of Pensions Lawyers. He was also the lawyer for the Mirror Group Newspapers pension scheme before the death of publishing tycoon and Mirror owner Robert Maxwell.

The move reflects the growing demand for specialist legal advice on pensions since the passage of an act which takes effect in April. The act formalises the fiduciary duties of trustees, and increasingly schemes are seeking legal advice. from solicitors who do not already advise the employer. Mr Michael Johns, managing partner at NG&J, said the departure of its pensions team had been "an amicable arrangement". Under the agreement NG&J will receive a payment from Sacker and will refer its own clients there. It will transfer to Sacker the share capital of Independent Trustee, a company built up by NG&J to provide independent trustee services to clients. After the departures, NG&J, which specialises in corporate and property law, will employ 110 lawyers, 41 of whom Norma Cohen, London

#### MPs make sell-off demand

MPs are likely to call for the country's newest power station. Sizewell B on the east coast of England, to be excluded from this summer's planned privatisation of British Energy. The trade and industry committee of the House of Commons is likely to urge the government to withdraw Sizewell B from its plans. The main argument for this is that, with the Treasury estimating the net profit from the sale at about £2.6bn (\$4.0bn) the entire privatisation could raise less than the £2.7bn it cost

Such a move would be a serious blow to the sell-off as Sizewell B is the most modern of the eight reactors under the hammer. Privatisation is already in serious doubt because of the government's failure to resolve the issue of who should bear the decommissioning costs of the reactors. One committee member said: "We feel that Sizewell is actually going rather well, and that given another six months or a year it could raise more money for the government. It seems silly to rush to sell an asset which is appreciating in value at a knockdown price." Robert Shrimsley, Westminster

#### Network service expands

Torch Telecom, a joint venture between Yorkshire Electricity and Kingston Communications, will today announce new customers for its advanced intelligent network service, including one of the biggest deals of its kind in Britain. The effect will be to increase revenues more than fourfold. This year, its first in full commercial operations, Torch had turnover of about £3m (\$4.6m). It expects turnover of at least £14m next year.

It has signed a contract worth about £40m over five years with Interactive Media Services, the UK's biggest automated call handler, which records and answers more than 50m calls a year on behalf of customers including leading advertisers and media owners. Torch won the IMS contract in competition with British Telecommunications and Mercury. It will provide IMS with 600 additional interactive voice processing systems. giving the call handler 2,400 fully automated lines.

Alan Cane, Industrial Staff

#### Daewoo opening in N Ireland

Daewoo, the South Korean carmaker, is to open its first wholly owned showroom in Northern Ireland in April. The move to set up a retailing network in the region follows Daewoo's successful introduction in mainland Britain. It has become the fastest-growing car brand on record since sales began lag April through a network of wholly owned showrooms and Nearly 15 000 car were sold in the first nine months of Daewoo's operations. That was despite motor trade predictions that the company would be handicapped by not taking the conventional approach to car sales through a network of independent dealers. The first Northern Ireland outlet is to be in Belfast, with

John Griffiths, Industrial Staff

#### Accountancy firm expands

Price Waterhouse, the "Big Six" accountancy firm, is to help establish a stand-alone legal firm. It will probably be placed in-house but will be independent of the accountancy firm and able to accept its own clients. The move is designed to fill a gap in PW's European-wide network of associated legal firms. The firm is to be headed by Chris Arheim from the Leedsbased firm of Hammond Suddard. Stand-alone firms can provide a wide range of services to PW's eligate without efforts. vide a wide range of services to PW's clients without falling foul of Law Society rules which restrict in-house lawyers. PW is the second "Big Six" firm to take the route - Arthur Andersen also has an associated law firm Jim Kelly, Accountancy Correspondent

Driver gives up: Mr Keith Murray, a publisher from Aberdeen in Scotland, announced that he was giving up driving after failing his test 35 times in 10 years. The tests and his 1,450 lessons have cost £9,000 (\$13,860). "Tm a nervous person at the best of times, and I just couldn't handle doing my test with someone sitting beside me watching my every move," he said.

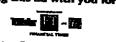


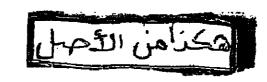
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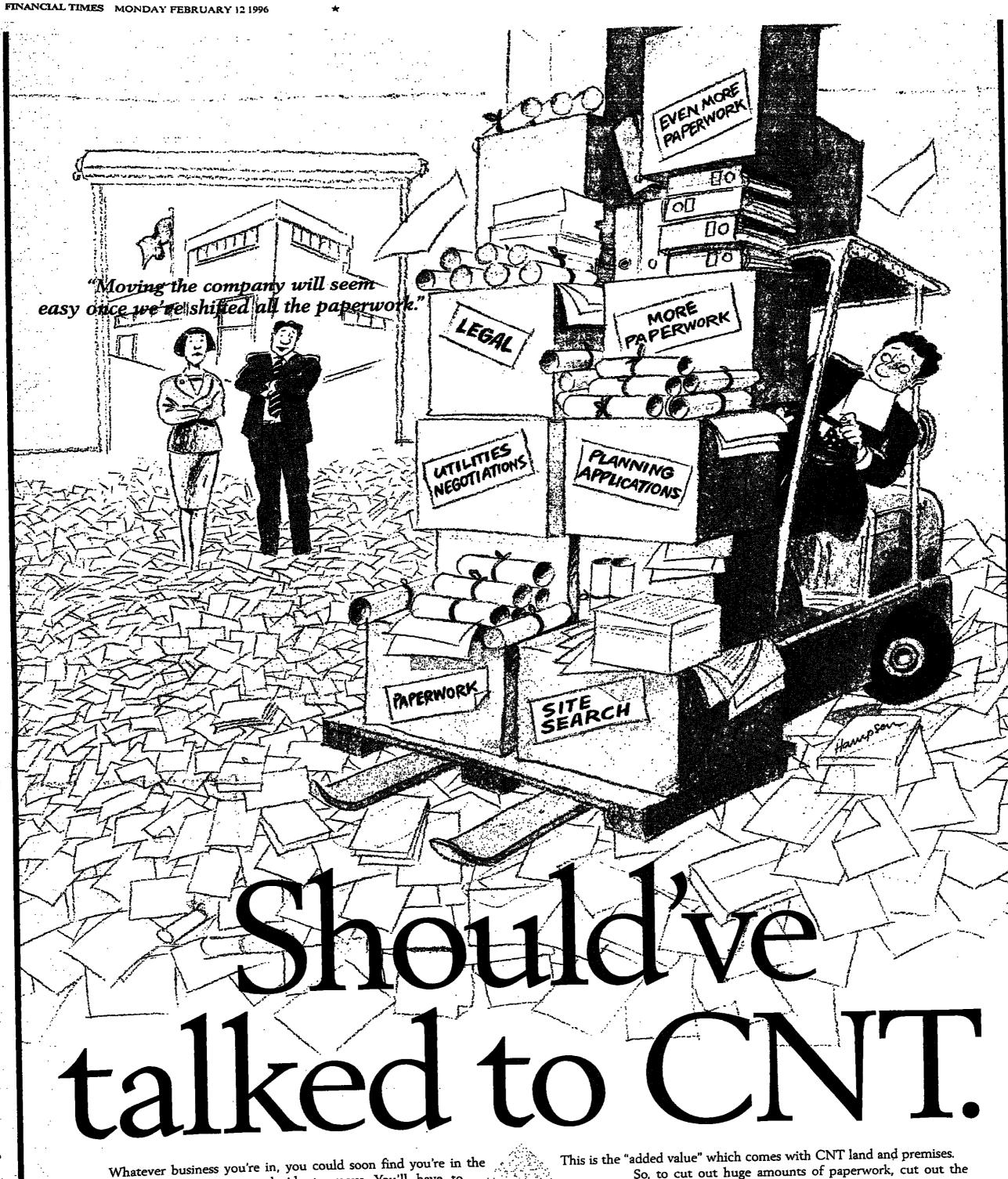
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#### ympathy seems to be an especially fickle emotion in Italy. When great disasters and tragedies happen, a wave of sympa-thy is quickly generated and then fanned enthusiastically by the media, as though there is competition to show the greatest concern. But pretty soon attention is diverted and the sympathy evaporates as quickly as it materialised. It will be interesting, therefore, to observe the staying power of the sympathy and attention given to Venice as a result of the fire which gutted the city's historic La Fenice

opera house. Nearly two weeks have passed since the disastrous fire which left only the shell of the 200-year-old opera house standing. Venice enjoys a special place in the Italian cultural pantheon, and the opera house was redolent with famous operatic associations. Venice also possesses an energetic and charismatic mayor in the form of philosopher-politician Massimo Cacciari. As a result, there is great interest in the fate of the Fenice. Several newspapers have set up special collection funds and writers

have started to discuss the logistics

# Passionate about culture - sometimes

of rebuilding the building in two years. The government says it is willing to waive the procedure requiring 34 signatures for each document concerning the reconstruction of an historical monument in an historic city centre. The president of the republic has even made a special visit to the site. Fund raising concerts are being planned and more money is likely to be collected as the Venice carnival gets under way this week.

Yet precisely because Venice can ask for and receive special treatment, the Fenice fire has drawn attention to other less fortunate cases. These include the Petruzelli opera house fire of October 1991. News of this fire has long been off the country's front pages, even though it destroyed the complete interior of the opera house, built in 1898 in Bari, southern Italy, and one of the most important opera houses in southern Europe. Promises of a quick reconstruc-

tion were made at the time, as reports emphasised the theatre's importance to southern culture. Yet nothing has been done. The Petruzelli, one of only a few private opera houses, stands as a disused shell.

DATELINE

Rome: Italians can

be surprisingly

fickle when it

comes to salvaging

and maintaining

the country's

heritage, reports Robert Graham

The story behind the fire is a sordid one. After an extensive police investigation, and an underworld tip-off that the fire was delib-erately started, Fernando Pinto, the opera house manager, was arrested in July 1993 for alleged arson. It was discovered that the proprietors, the Messeni Nemagna family, were to sell the ruined theatre to the local authorities for an agreed. cheap price.

A costly reconstruction (out of public funds) was then to follow, providing the opportunity for a contract to be awarded to firms that were almost certainly linked to the

Pinto successfully challenged the initial case against him. But subsequent investigations led to the arrest of two others who were then accused of being directly responsi-ble for starting the fire.

This week Pinto is expected to appear before a Bari court charged with having provoked the fire to profit from the reconstruction. Meanwhile, the status of the Petruzelli is in limbo. The propri-



etors still plan to sell the theatre. but require permission from the municiplity for a change of use for

the building. The matter is complicated by the original land concession which will be up for renegotition in three years' time. While the municipality will buy the theatre, there is a discrepancy between what the

mayor and councillors think the Petruzelli is worth in its present state, and what the owners are asking. Many believe that the municipality is dragging its feet

until the land concession expires.

Like so many things in the south,
the saga risks becoming more entangled and complex as time goes by. This has happened in the case of the Teatro Massimo, an enormous opera house which dominates central Palermo in Sicily and which has been closed for more than two decades while desultory repairs are carried out. Reconstruction of the Petruzelli

is also hampered by Bari's lack of international appeal and consequently its inability to maintain interest in its plight. Venice, on the other hand, has enormous appeal, as does Florence, illustrated when a wing of the Uffizi gallery was damaged by a mafia-planted car bomb in May 1993. Appeals for help were answered immediately.

Equally, Naples, as host of the G-7 summit in July 1994, lifted its profile and attracted government funds for city improvements. Antonio Bassolino, the city's mayor, helped put the funds to good use, re-establishing Naples on the tourist map and boosting its

conference business. However, away from the tourist trail and just beyond Naples city centre, decay continues. In the huge hinterland that stretches from

Vesuvius to the coast beyond Pozzuoli, neglect is all too obvious.

Pozzuoli, rich in history, looks a shadow of its former past. The coastline once boasted fine Roman villas and its port still has the third largest surviving amphitheatre in Italy. Under 16th century Spanish rule, magnificent forts were built, and until the late 19th century a visit to the Solferata, the steaming sulphure volcano at Pozzuoli, was de rigueur for any European travel-

ler in Italy. To stem the decay, Pozzuoli somehow has to gain the attention and sympathy of the Italian public - a task for which there is a great deal of competition.

1111

#### PEOPLE

# Outsider from the trenches

Alistair Defriez is a popular choice to head Takeover Panel, writes David Wighton

listair Defriez's appointment A as the next director-general of the UK's Takeover Panel caused some surprise in the City of London last week. "Its extraordi-nary - they've given the job to someone with a sense of humour, joked a colleague.

A popular choice for what is one of the City's top jobs, Defriez has been a member of the corporate finance department of what is now SBC Warburg for 16 years.

"He is not the suave, old-style City type you might expect in the job and he doesn't take life too seriously. But he is actually much more representative of the modern City. says a fellow investment banker.

Michael Tory, a former colleague at Warburg who recently moved to Morgan Stanley, describes it as an "inspired" appointment. "Alistair balances intellect with iconoclasm in a way that will be beneficial to the panel and to City practice.'

The City is proud of the panel, an independent body which oversees the conduct of takeover bids. It is the one arm of the City's system of self-regulation which is generally judged to work well. By tradition. the director-general is an active merchant banker who takes a twoyear secondment from his firm.

Unlike some directors-general, who, by the nature of their seniority, have become somewhat divorced from the day-to-day business of bids, Defriez, 44, has stayed in the thick of it.

He has been involved in a number troversial, battles, most recently defending Northern Electric against Trafalgar House and (unsuccessfully) Forte against Granada. In both cases, he made frequent appeals to the panel about the conduct of his opponents.

In the Northern Electric bid, he challenged the controversial derivative contracts struck between Trafalgar and its advisers, Swiss Bank Corporation, which some viewed as breaking the spirit of the insider dealing regulations. After an



inquiry, SBC was cleared of breaking the takeover code, but the panel decided to review the rules.

The panel is widely expected to conclude that no significant changes are needed, but Defriez insists this will not cause a problem for him, "It would be wholly wrong to go into the position carrying over a legacy," he says.

The Northern bid was so hard fought that when, a matter of weeks later, Swiss Bank Corporation took

over Warburg, many thought Defriez's days at the firm would be numbered. Yet he was soon working with John Walker-Howarth, a former director-general of the panel, on Forte's defence, and SBC Warburg insiders deny that his prospects in the firm have been

make it to the very top but he is a very solid operator," says one. Defriez admits that the new job has its downside. "For two years,

blighted. "He would not expect to

you are out of the game. But it is a great honour and it is one of those invitations you cannot refuse."

While his appointment has been well received, there are some observers who question whether the invitation should have been made to a higher-profile figure. They argue that the next two years will see a serious challenge to the system of self-regulation, particularly from Brussels, which could threaten the City's competitive position. What the City needs is a heavy weight around which people will rally. It is a very important issue which we cannot afford to get wrong," says one senior investment

Defriez agrees it is an important issue to which he expects to give considerable time, together with the panel's chairman, Sir David Calcutt. "In some respects, one would like to see greater harmonisation across Europe but not at the expense of

our non-statutory system."
In general, Defriez believes the panel is working well, and he scrupulously avoids criticism of his predecessors. But other bankers believe there is scope for the panel's operations to be tightened up. Over the last few years, the panel has begun to lose touch with the operators, and in some areas it has become ossified," says one. "Defriez will stress the importance of a speedy response - like a good foot-

Defriez, the son of a City fund manager, was educated at Dulwich College in south London and University College, Oxford. He spent five years at accountants Coopers & Lybrand before joining Warburg.

He proudly reveals he captained his college rugby team at Oxford where he was a nippy fly-half. Perhaps best described as stocky, he spends Sunday mornings coaching the under-12 rugby team in which his two sons play, and regularly works out in a City gym. But as he admits with a typically self-depre-cating chuckle: "You wouldn't think so to look at me."



#### Deutsche Telekom decides it will go Dutch

It takes some guts to hire a former chief executive of Fokker, the trou-bled Dutch aircraft maker which has made headlines around the world in recent weeks, writes Michael Lindemann in Bonn. But that is exactly what Deutsche Telekom has

Erik Jan Nederkoorn, the 53-yearold who started his professional career as an auditor at the accountancy firm Price Waterhouse, last week assumed responsibility for all Deutsche Telekom's international activities, an area which will be of key importance to the company as it strives to become a global force in the rapidly changing telecoms mar-

ket It was Nederkoorn, Fokker's chief executive from 1991 to 1994. who negotiated the sale of Fokker to Germany's Daimler-Benz, a deal billed as a triumph for Europe's aerospace industry but which has ended in tears in recent

Yet some analysts point out that Nederkoorn has been vindicated following the recent disasters at Fokker. It was Nederkoorn, after all, who wanted to make more substantial cuts at Fokker in an effort to improve productivity. When that proved impossible he left, becoming chief executive of Arke, the Netherlands' biggest package tours and tourism group, owned partly by the Dutch aviation carrier KLM and partly by TUI, Germany's biggest

Given Arke's German parent and the earlier negotiations with Daimler-Benz - Nederkoorn has had plenty of exposure to German corporate life.

Indeed, he hopes to draw on his experience to help Deutsche Tele-kom in its dealings with politicians in Bonn, as the company moves towards partial privatisation later

Ron Sommer, Nederkoorn's new boss and Deutsche Telekom's chief executive, has yet to develop those

#### Pedro Aspe opts for a politically correct position

Pedro Aspe, Mexico's former financial czar, has just emerged from the statutory year of purdah imposed on ex-civil servants to take up a senior position with the Monterreybased Pulsar group, writes Leslie Crawford in Mexico City.

Aspe is perhaps the only member of Carlos Salinas's government whose reputation is still intact following the financial crisis and corruption scandals that have hounded the former president.

He studiously kept out of the fray while Salinas and his successor, Ernesto Zedillo, traded recriminations over the disastrous devaluation of the peso in December

While the debate raged around him. Aspe kept silent, neither defending nor admitting mistakes in his handling of economic policy. While there had been speculation that he might become president of the Central Bank of Mexico or even take a job on Wall Street, Aspe has joining Pulsar's new investment bank as a partner and managing

In a country where politics and business frequently mix with unsavoury results. Aspe appears to have chosen his new occupation with care. Pulsar, which has interests in insurance, textiles and cigarette manufacturing, is one of the few conglomerates in Mexico that did not get involved in the wave of acquisitions flowing from Aspe's privatisation programme.

Meanwhile, those who want to know what Aspe really thinks about recent economic history should perhaps roll up to his classes at the Technical University of Mexico, where he has been teaching economics for the last year. Aspe won't be giving up his professorship. He has simply rescheduled his classes to start at

#### Chrysler finds its its very own Warren Buffett

Chrysler may have succeeded in keeping Jerome York, an ally of dis sident shareholder Kirk Kerkorian, off its board, writes Richard Waters in New York. But in John Neff, the famously outspoken mutual fund manager, it has just given a seat to someone whose presence in the boardroom is likely to prove equally

as bracing.

Neff's arrival is part of a complex balancing of interests designed to bring peace to the US carmaker. The Kerkorian camp obviously approves: York says he was consulted about the Neff appointment before it was announced.

Neff, who retired at the end of last year after 30 years managing the Windsor Fund, is one of the elder statesmen of the modern mutual fund era. Like Warren Buffett, the legendary investor, Neff turned the business of spotting undervalued stocks into an art form, averaging a return of more than 13 per cent over his three decades, against the S&P 500's return of around 10 per cent.

Now 64, Neff has created waves in Chrysler's boardroom before. Back in 1991, when he controlled 7 per cent of the company, he publicly urged it to strip the legendary Lee Iacocca of his chairman's title and give it instead to Bob Lutz, the pres-ident. Chrysler met him half way, handing the crown instead to Bob Eaton.

As another big Chrysler shareholder said at the time: "If you own 7 per cent of the stock, I don't see why you can't express an opinion about it." That, no doubt, is a sentiment with which Kerkorian would sympathise.



#### Economics Notebook / Robert Chote

# Graduate glut forecast for 2001

Expanding educational opportunities in the UK look set to create as many losers as winners

Imagine the scene in five years' time. More than 800,000 frustrated graduates scattered across Britain, unable to find jobs which make use of their hard-earned qualifications. A discouraging prospect for anyone contemplating higher education.

But is it really conceivable that Britain could have too many graduates in 2001? After all, politicians and economists never tire of warning us that we must improve our education system. The UK faces rapid technological change and competition from low-wage rivals overseas, they argue. So improving the quality of the workforce is the only way to safeguard jobs and

That may be true in the long term, but for now the British education system is churning out more highly qualified workers than employers need. The number of highly qualified people in Britain is expected to rise by 45 per cent during the 1990s, while the number of "suitable" jobs for them is set to increase only two-thirds as fast.

These gloomy predictions come courtesy of Rob Wilson at Warwick University. He would be the first to admit that long-term projections of demand and supply in the labour market should be taken with a hefty pinch of salt. But his work nonetheless provides a salutary reminder that expanding educational opportunities can create los-

ers as well as winners. During the 1980s employment of highly qualified people in Britain rose at a brisk 4 per cent a year, reaching 4.6m in 1991. Over the same period employment in the economy as a whole rose by only 0.7 per cent a year, reaching 26.3m.

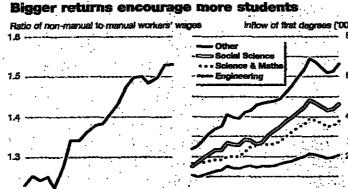
(The highly qualified here include all university graduates and holders of equivalent professional qualifications, plus post-graduates and anyone with a qualification exceeding the "A"-level taken at age 18).

The main reason for the rise in graduate employment during the 1980s was a shift in demand towards managerial and professional occupations. Wilson expects this to continue in the 1990s, driven by "organisational and technological change". Engineers, technologists, computer programmers, and business and financial professionals will also be sought after.

But what about supply? The proportion of young people entering higher education has been rising for 30 years, reflecting rising incomes and easier access to col-lege. This trend is expected to continue or at worst flatten in the next few years. But with the number of 21-year-olds set to rise rapidly after 1998, this implies "a sharp increase in the numbers of those obtaining higher level qualifications in the

next few years". With supply outstripping demand on current trends, Wilson expects the workforce to contain 6.9m highly qualified people in 2001. But there will be only 6.Im to do.

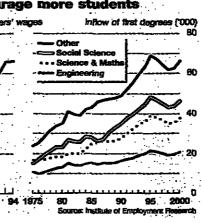
So should we resign ourselves to a dystopian society in which gangs of unemployed Oxford alumni gather in shopping malls, drinking meths and discussing Derrida? Probably not. As the surplus of highly educated people grows, supply and demand will respond. For example, a fall in the earnings premium which the highly educated enjoy might simultaneously dis-



courage people from entering higher education and make graduates more attractive to employ. In the US the education premium

has risen rapidly in recent years. College graduates on average earned 74 per cent more than high school graduates in 1994, up from only 38 per cent more in 1979. A rising education premium also shows up in the growing differential between the pay of non-manual and manual workers in the UK.

The surplus of highly qualified people may also be contained if demand for them grows more quickly than recent trends suggest. Technological progress and compe-tition from newly industrialising countries may skew demand away from unskilled workers and towards the skilled even more quickly than it has done already. As Alan Krueger of Princeton University argued at last week's World Economic Forum in Davos, the



spread of computerisation is making employers increasingly keen to take on highly educated staff. "Qualification inflation" is

another possibility. As well as applying for the new highly skilled jobs created by technological progress, the well educated may also compete for jobs currently held by the less qualified. And once the highly qualified move into those jobs, there is evidence that they move the skill requirements involved permanently upmarket This means the less well educated have difficulty recolonising these positions even if they get the

opportunity later on.
In some cases employers reject the highly educated as candidates for these jobs because they regard them as over-qualified, and therefore suspect that they will move on quickly when they find something better. But there is evidence from both sides of the Atlantic that

many well educated people have moved downmarket. In the US the proportion of graduates either unemployed or in "high school jobs" has risen from 11 per cent in 1970 to 20 per cent in 1990, with the UK showing similar trends.

This is an alarming prospect for people in the middle of the labour market - those who are neither

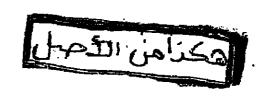
unskilled nor highly educated.
On the one hand, they face competition from better qualified rivals at home who cannot get the high level jobs they desire. And on the other hand they face competition other hand they tace competition from their peers overseas. As an article to be published in this week's Bank of England Quarterly Bulletin observes, investment in technology and education in the newly industrialising economies of Asia means that their citizens are increasingly competing with their skilled western counterparts rather than the unskilled.

This does not imply that encouraging more people into higher education in Britain has been a mistake. As more companies adopt the sorts of technology which will allow them to exploit highly quali-fied employees, so the rewards will gradually become more apparent. But the process might well prove painful in the short term. Many graduates are having to lower their career expectations for a few years and this in turn may step up the already intensifying pressure on those people just below them on the skills and education ladder. Review of the economy and employment: future employment prospects for the highly qualified, by Rob Wil-son. Institute for Employment Research, Warwick Univ., 1995.

The Sharp SF-2050 copier. Think of it as a Porsche 911 for accountants.



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# Banks to be picked for plum Polish sell-off

By Nicholas Denton in London and Christopher Bobinski in Warsaw

Poland is about to appoint the investment banks which will manage the largest privatisation in eastern Europe this year - the international public offering of state copper producer Polska Miedz, expected to value the company at about \$2bn (£1.2bn). Some 13 consortia - including most of the leading US and European investment banks and Poland's larg-

est commercial banks - submitted

plans for the privatisation on Febru-

highlights

doubts on

rival bid

for MAI

City of Loudon doubts that a rival bidder might launch an offer for MAI, which

announced a £3bn merger with

United News and Media on

Thursday, were highlighted on

Friday when Mercury Asset

Management sold a significant

stake in the UK broadcasting

and financial services group.

MAM, the investment group

which played the crucial role

in the successful hostile bid by

Granada, the TV, catering and

leisure company, for Forte, the hotels group, sold a 2 per cent

Although MAM retains 6.25

ms an indication that it did

per cent of MAI, the sale

not believe it likely that any

predator, in particular Cariton Communications, under chief

executive Mr Michael Green,

would bid for MAI and there-

There were, however, uncon-

firmed reports that MAM

spent half the proceeds of the

sale on shares in United News

the Daily and Sunday Express

newspapers. In regulatory terms. United would be an

easier takeover target for Carl-

ton than for MAI. Carlton

could simply "warehouse"

Express Newspapers in a dead-

locked company - place own-ership in a 50-50 company in

partnership with a bank -

which is precisely the strategy

being adopted by United and

A Carlton bid for MAI would

face a number of hurdles

under present ownership rules

and would be looked at closely

by the Office of Fair Trading

because it would give Carlton

more than 40 per cent of ITV

A number of newspapers suggested yesterday that Mr Green, who last week inter-

rupted a holiday in the Caribbean before the United-MAI deal, was being encouraged to

intervene. Mr Green declined

to comment yesterday. although the fact that he was at home rather than at Carlton

headquarters suggests nothing

United-MAI believes Cariton

is the only company likely to

try to make a counter bid for

Another possible candidate,

Lord Rothermere's Associated

the Daily Mail, is not inter-

ested. Its intention has been to

wait until the broadcasting

as London station Capital.

Newspaper group, publisher of

one or other of the parties.

advertising revenue.

is imminent.

stake in MAI for £25m.

fore force up the price.

By Raymond Snoddy

ary 2. Polska Miedz said the privatisa-tion ministry, which controls the company, was expected to draw up a shortlist by the end of the month and then choose managers for the sale.

A consortium led by Goldman Sachs, and groups led by SBC Warburg and CS First Boston, are considered the strongest contenders. The participation of HSBC and N. M. Rothschild in its team bolsters Goldman's effort; SBC Warburg analysts have particular expertise in the mining industry; and CS First Boston has extensive experience in eastern about 15 per cent for distribution to

Long wait for

some news to

year when everything is supposed to come right for Allied Domecq. 1996 has started rather badly.

A second profits warning in

seven months from the inter-

national spirits, wine and

retailing group last week

knocked the shares back near

to a five-year low. "The way

that Allied gave its profits

warning at its annual meeting

signalled a company in serious

difficulties," NatWest Securi-

Mr Tony Hales, chief execu-tive since 1991, is credited with

enhancing Allied's drinks side

by buying Domecq of Spain for

£739m (\$1,138m) in 1994 and

shedding food manufacturing

But the strategy has yet to shine. When Domecq was

bought, the City's forecast was

for pre-tax profits this year of

about £750m. Negative factors have cut that to about £580m.

Some are no fault of manage-

ment, such as the peso devalu-

ation's devastation of

ers, such as over-stocking by some Allied drinks distribu-

tors, show inadequate manage-

ment control, analysts believe.

City of London concerns are

focused on the performance of

drinks, which account for just

under half the group's profits.

A reorganisation begun last

June turned Allied from a

diverse holding company into a

drinks group with a big side-

line in retailing through UK

pubs and off-licences, and Bas-

kin-Robbins ice cream and

Dunkin' Donuts franchised

Mr Hales said he spends

about half his time on the

drinks side and the rest on

other group activities. In con-

trast, full-time chief executives

and peripheral activities.

ties' analysts advised clients.

raise the spirits

iven that this is the run the spirits arms of Guin-

ness, Grand Metropolitan and

Seagram, which rank with

Allied as the world's four larg-

est spirits companies.

The four have had a tough

five years, with drinkers reluc-

tant to consume more or better

products or accept price rises. The producers made matters

worse by sharply reducing

advertising spending in the recession of the early 1990s.

by the decline of Allied's key

brands in the US, a country

that generates about one third

of its drinks profits. They fell

faster than their markets dur-

ing 1989-95, with shipments of,

for example, Beefeater gin off

30 per cent and Courvoisier

cognac off 25 per cent, accord-

advertising, and overpricing,

said Mr Hales. Allied's US

advertising spend halved between 1990-94, according to

Jobson's, an authoritative

Only in the past 18 months

to cut costs and invest the

savings in more and better

advertising and new products.

Their complex brand, country

and regional structures were

Now Allied has "brand cen-

tres" in Bristol and Los

Angeles, which each have a

portfolio to co-ordinate glob-

ally. Execution of marketing is

in the hands of country organi-

sations, old brand companies

such as Harvey's sherry are

simply producers and the sup-

ply chain is being streamlined.

advertising, marketing and

promotion by 12 per cent last year to about £400m. At 13 per

cent of sales, the spend is com-

Allied lifted its spending on

ripe for rationalisation.

drinks trade commentator.

"We were underspending on

ing to the company.

The problem is highlighted

Europe. Competition for the position of lead manager is intense because Polska Miedz holds five per cent of world copper reserves and its sale will be Poland's largest single privatisa-

tion.
The privatisation ministry is considering an international sale of global depositary receipts listed in London, representing about 15 per cent of the equity of Polska Miedz and worth about \$300m. A further 10 per cent, worth about \$200m, will be reserved for domestic investors and

MAM sale Roderick Oram reports on Allied Domecq's struggle to pull off a turnround

Scant cheer

Share price relative to the FT-SE-A Alf-Share index

Performance of leading brands in US Volume 1991-94 (% change)

which is to be floated on the Warsaw Stock Exchange, will represent about a third of the market's capitalisation.

The rise in copper prices between 1994 and 1995 lifted revenues at Polska Miedz by 45 per cent to 3.78bn zlotys (£970m), on which the company made an estimated net profit of 450m-500m zlotys. But investment bankers pitching for the privatisation mandate are concerned that the copper price, which ended last week at \$2,570 per tonne, is past its cyclical peak.
Polish copper deposits are deep and expensive to extract, while competitors are able to use more efficient open-cast mining methods. It costs Polska Miedz 82 cents to extract a pound of copper, compared with 40-70 cents for competitors in the US and South America.

Bankers are also concerned that Polska Miedz's diversification plans are reducing its appeal. It is investing heavily in mobile telecommunications after Polkomtel, a consortium including Polska Miedz and Airtouch of the US, won a licence to provide GSM digital mobile services.

TONY JACKSON **GLOBAL INVESTOR** Merrill Lynch and Salomon say they expect 20 per cent of their future revenues in investment banking to come from telecoms

worldwide. The sector, which is valued at about \$650bn after a wave of international privatisations, still only represents 5.5 per cent of the total value of world stock markets. If Merrill and Salomon are right, that proportion is

bound to rise. Page 24

You have more chance of being struck by lightning than finding an economist who believes European economic and monetary union will take place in 1999 with the original Maastricht signatories. But while bond prices suggest investors expect some form of Emu to take place, the implications of a delay are not clear. Page 26

**E EMERGING MARKETS:** 

The examples of Latvia and Lithuania suggest investors might be wise to keep a close eye on the debt market. Fairly low inflation and strong currencles in both countries make government paper a good buy. Page 25

**■ CURRENCIES:** 

Sterling will be in the spotlight as the markets respond to renewed IRA bombing. Some selling pressure is expected, but sustained weakness is not. The heat may be on later in the week, however, after the release of the Scott report into the sale of arms to Iraq. Page 29

The International Precious Metals Forum kicks off in the UK

this week against a background of increased market activity after the London gold price burst through the \$400 a troy ounce barrier in the new year to hit an all-time high just over a week ago. Page 24

**III INTERNATIONAL COMPANIES:** A consortium headed by Deutsche Telekom, the state

telecommunications network, and Bertelsmann, Germany's largest media group, is holding a crucial meeting today aimed at seeking agreement on a standard decoding box for the launch of pay-per-view digital television this year.

**III UK COMPANIES:** 

Two Scottish fund managers are understood to have made their final offers for Dunedin Fund Managers, the Edinburgh-based investment management company controlled by Bank of Scotland, which is for sale after staff defections and resignations. Page 22

Companies this week appear on Page 24

# STATISTICS

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20 Medium Business Bk

Pacific Dunlop

# Companies in this issue

Acki Corp

Dunedio Fund Mors

Portugal Telecon Prudential Corp Torch Telecom

# Analysts question De Beers cartel's claimed share of world diamond trade

By Kenneth Gooding Mining Correspondent

The international diamond cartel organised by De Beers of South Africa has a far smaller share of global trade in rough or uncut diamonds than it claims, according to an independent analysis of the mar-This suggests that world sup-

bill before Parliament is ply of rough diamonds in 1995 passed before making its reached 130m carats, worth \$7.2bn, and that the cartel's The bill will allow newspa share was 63 per cent, not the per groups to own television 70-80 per cent claimed by De stations and vice-versa. Possi-Beers' London-based Central ble Associated targets might Selling Organisation. include HTV, the ITV company The CSO's share of the marfor Wales and the west, or a buy in commercial radio, such

ket in 1994 was even lower - 56 per cent of global sales worth

an Antwerp consultancy, and Diamond International and published by the CRU International consultancy. Diamond supply statistics are under greater scrutiny

\$7.6hn - according to the analysis, prepared by Terraconsult,

than ever from the industry and analysts because of worries about the cartel's future. The CSO is having difficulty negotiating a new contract with the Russian indus-

"Institutions and diamond companies are checking more closely than ever whether the CSO still actually retains control of the marketplace." says Mr Mark Cockle, editor of Diamond International.

The CSO has been losing market share partly because of Russian diamonds being sold outside the present contract.

There has also been an increase in activity by individual diamond hunters in Africa and South America, according to Terraconsult. The research uncovered

US profits 12%

GrandMet's. A rise of about 6

Allied believed it had turned

the corner in the US, forecast-

ing increased market shares

there this year for its four

main brands and a sharply ris-

ing trend thereafter. These

plans were disrupted, however, by Christmas sales. The group

had budgeted a 10 per cent rise

in a static market, but poor

sales by some brands, particularly Canadian Club, left

increased stocks with distribu-

tors and retail purchases up

per cent is planned this year.

some anomalies: Belgian import statistics showed that more than 10m carats, worth \$730m, were imported from Liberia - far more than that country produces.

"It is likely that couriers bringing diamonds into Belgium have used Liberia as a cover to protect the source's origin," says Terraconsult. "The most probable sources are Russia and Africa.' The CSO insists its share of the market remains at 70-80 per cent. It says the analysis fails to take account of the purchases the CSO makes in the free market, where it mops up

only a percentage point or two.

with peso profits recovering.

But sterling profits will still

take several years to match the

pre-acquisition peak. Europe is

no less of a slog for Allied than

its competitors, but in Asia it is trailing them while still

chief executive.

rching for a new regional

A pick-up in any of these

se, pre-tax profits of £580m

regions would belp allay fears of a dividend cut. But in any

Mexican news is brighter,

Neither, it says, does the analysis take full account of the fact that the CSO has a quota system and producers are being asked to stockpile 15 per cent of the diamonds that otherwise would have been sold through the cartel.

excess supplies.

Terraconsult and Diamond International say that the CSO has done "a remarkable job" of matching supply and demand and the market has been kept

### Prudential poised to determine stance on Farnell bid for Premier

By Christopher Price

Prudential Corporation will today decide whether to support Farnell Electronics' £1.8bn takeover of Premier Industrial Corporation at Thursday's extraordinary meeting. The UK insurer's decision could prove crucial to the deal's chances of gaining shareholder approval.

earnings would cover the cur-

rent dividend about 1.4 times.

Cashflow would only cover 80

per cent of the dividend but

Allied's balance sheet gearing

of 65 per cent would allow it to

However, many in the City

fund the difference with debt.

of London is eager for the

artival of Sir Christopher

Hogg, one of the most

respected executives in Britain,

as chairman on April 1 to help

Allied's management sharpen

Two institutional shareholders have come out publicly against the agreed merger. announced three weeks ago. which would create the world's third-largest electronics component distributor. Standard Life and Legal & General both expressed con-

cern over the price Farnell is paying for the US group and

the dilution to shareholders earnings. There are also worries over the ability of the group to run such a huge undertaking, particularly with the Mandel family, which manages and controls Premier, holding a potential 25 per cent share in the new company.

So far, institutions speaking for about 7.5 per cent of Farnell shares have indicated they will vote against the deal. Norwich Union, which holds 3.5 per cent, was unavailable for comment yesterday on reports

that it too will vote against. The Farnell board requires three-quarters of the votes cast to win approval. Observers believe the vote is running in favour of the merger by five to two. The situation is likely to

number of shareholders who bother to vote. Typically, company meetings are attended and voted at by fewer than half the shareholders. Should the Prudential, which holds nearly 6 per cent, vote against the gap would be closed, placing the outcome on knife-edge.

be further complicated by the

However, given the contro versial nature of the deal, a larger turnout could be expec ted, which is likely to favour the Farnell management. Directors of the UK groun

have made more than 60 pre sentations to institutions in the past fortnight, and will continue today and tomorrow in an attempt to dissuade the dissenters.

IAN CHOSE THE LIGHTS OUT OPTION ON VIRGIN UPPER CLASS BUT, UNFORTUNATELY, HAD DRUNK TOO MANY COFFEES.

Upper Class We offer a sleep-suit, duvet, pillow, lights out in the cabin, and decaffeinated coffee. Call 01293 747 500 or see your travel agent.

virgin atlantic

**Alcatel Alsthom hit** 

by asset disposals

Alcatel Alsthom, the French telecommunications and

engineering group, saw total turnover fall by 3.9 per cent last year to FFr161.2bn (\$31.8bn) from FFr167.6bn the year before, because of poorer sales performance and asset sales. After stripping out the press interests sold to France's Havas at the end of last year, Alcatel said the fall in turnover – on a comparable basic with 1004 – was 2.0 per cent. The groups

being reorganised by Mr Serge Tchuruk, its new president, said new orders booked during 1995 fell by 2.7 per cent - or 1.7

Turnover in telecommunications, the biggest slice of Alcatel activity, declined by 4.4 per cent, from FFr70.8bn to FFr67.7bn last year. Sales of cables, the group's second largest product category, rose from FFr39.8bn to FFr40.6bn, mainly due to

produced transport and power equipment sales of FFr29.3bn, a rise of just under 10.8 per cent. Systems, a new unit grouping

Alcatel engineering and turnkey projects, produced FFr21.1bn of sales last year, marginally below 1994's performance.

better business in North America and southern Europe.

Alcatel's half share with GEC of the UK in GEC Alsthom

per cent on a comparable basis - to FFr155.8bn, down from

comparable basis with 1994 - was 2.9 per cent. The group,

NEWS DIGEST

Fr160.2bn in 1994.

### INTERNATIONAL COMPANIES AND FINANCE

# Consortium meets today on German pay-TV system

A consortium headed by Deutsche Telekom, the state telecommunications network, and Bertelsmann, Germany's largest media group, is hold-ing a crucial meeting today aimed at seeking agreement on a standard decoding box for the launch of pay-

per-view digital television this year. The meeting follows disagreements between the consortium and the Leo Kirch group on whether, and how, they could join forces to develop a uniform decoding system before rivals, possibly including Mr Rupert Murdoch, try to enter one of Europe's

fastest growing media markets.

An agreement would mean Germany's state and private commercial television networks would come under one umbrella – the Multimedia Betriebsgesellschaft (MMBG) – and would hold a virtual monopoly on digital television. MMBG would also have access to Kirch's extensive film and programming library, one of the largest in Europe, and sporting rights.

we could agree. All the country's television networks would have wide access to programming. We would also be prepared to deal with any outside competition," a consortium mem-ber said. But will Kirch join MMBG?

MMBG was set up last year by Bertelsmann. Deutsche Telekom and Canal Plus, the French commercial television network. Other shareholders include Vebacom, the telecommunications division of Veba, Germany's industrial conglomerate, ARD and ZDF, the state television channels, and RTL, the country's leading commercial TV channel in which Bertels-

mann has a 49 per cent stake. Last month, the Kirch group, which had been developing a separate payper view decoding box to launch its own digital television network. appeared to put aside its differences with MMBG. It agreed to take a 50 per cent stake in a new company formed out of Seca, the French company jointly owned by Bertelsmann and Canal Plus.

This new company would develop the software which would give viewers access to programmes. Kirch also agreed to take a 9 per cent stake in MMBG.

However, the talks have floundered, with Kirch still considering whether it would go it alone, with the result that Germany would be faced with two competing digital television systems. Kirch's hesitation has also fuelled speculation that it might be seeking an alliance with Rupert Mur-doch in a bid to break MMBG.

'Any alliance between Murdoch and Kirch would be against Kirch's interests," a consortium member said. "Kirch has a vast film library which would be ideal for MMBG. But so has Murdoch, through his Fox studios. Murdoch means competition for Leo Kirch. It is not certain Kirch would be prepared to lose his monopoly over his vast distribution rights or play second fiddle to Murdoch."

Last week, Leo Kirch strengthened his position in the German-speaking market by paying over DM1.4bn

(\$947m) for a package of films from Colombia TriStar International Tele-vision (CTIT), a subsidiary of Sony Pictures Entertainment (SPE). He has a ready-made market for distributing these rights. He holds a 43 per cent stake in Sat-1, the German commercial TV channel also owned by the Axel Springer newspaper group. Those films could help shore up Sat-1's flagging audience share, which dipped to 13 per cent last January, against an average of 14.7 per cent

last vear. He also holds a 25 per cent stake in Premiere, Germany's only pay-TV channel which has Im subscribers, a per cent stake, through his son Thomas, in Pro-7, the rapidly growing commercial television network, and a 24.5 per cent stake in Deutsches Sport-Fernsehen, the sports channel.

Analysts believe Kirch clinched the deal not only to keep ahead of the competition from RTL and ZDF. Both recently bought film rights from the US film studios Warner Brothers and Hearst Entertainment respectively to

film distribution in Germany.

"Kirch is also positioning himself for the future. That future is digital television. Of course he wants to sew up huge film rights to keep his German competitors at bay. But he also wants to make sure he is in a strong position when digital television is launched," an analyst said.

This acquisition of films places Kirch in a powerful bargaining position with MMBG. More importantly, Kirch, and Ufa, the film and TV sub-sidiary of Bertelsmann, recently secured the television rights for the Bundesliga, Germany's national football league. The only outstanding issue regarding the rights is which digital TV company will win them in the future.

The football authorities said no decision had been made, largely because they want to see whether MMBG and Kirch will jointly launch a standard decoding box for pay-TV digital television, or go their separate

Q4 1995

### HK group plans spin-off

Henderson Land Development, the big Hong Kong property group, plans to spin off its China real estate arm with an initial public offering and by triggering the conversion of existing bonds into stock. Henderson Land will sell HK\$1.5bn (US\$194m) in new stock of Henderson China Holdings, mostly to institutions outside Hong Kong. About 15 per cent of the shares will be offered to the public in the territory, with holders of Henderson Land given preferred treatment.

A bigger portion of the fundraising will be executed by permitting holders of HK\$460m in Henderson China convertible bonds to trade the debt for equity anytime within a year, for a price 15 per cent under the net asset value of the China property play. Henderson China holds 22 real estate development projects on the mainland, mostly in Shanghai and around Guangzhou, and Henderson Land said the property has been independently valued at HK\$13.7bn.

David Buchan, Paris

Aoki Corporation, a medium-size Japanese builder, said it would suffer an after-tax loss of about Y98.3bn (\$919m) in the year to March, wiping out almost half its capital. The loss, the first in its 35-year history as a quoted company, results from a reorganisation which would isolate bad debts and other problems associated with affiliated companies.

Acki will write off Y78.6bn in losses arising from loan guarantees for property companies and Y10.7bn from sales of shareholdings. A further Y12.9bn will be provided for payments for early retirement allowances as part of a restructuring.

The workforce is to fall by 500 to 2.850 over the next few years. The reorganisation involves the separation of the company's hotel business from the rest of its construction Gerard Baker, Tokyo

■ Rautaroukki of Finland, the Nordic region's second-largest steel producer, plans to buy out its Norwegian partner in Fundia, a Swedish manufacturer of long steel products, in a SKr710m (\$102m) deal. Fundia is 50-50 owned by Rautaruukki and Norsk Jern Holding.

Fundia made SKr261m profit in the first eight months of 1995, putting it on course for a considerable increase on 1994's SKr154m profit for the full year.

Christopher Brown-Humes, Stockholm

### Kone counts the cost Downturn at of accounting errors

By Hugh Carnegy in Stockholm

Kone, the world's third-largest producer of lifts, has reported a 35 per cent fall in profits in 1995 after suffering from a weak market in Europe, the costs of restructuring and unwinding deliberate accounting errors in its Italian operations.

The Finnish company said pre-tax profits fell from FM286m in 1994 to FM186m (\$40.5m), despite an increase in sales from FM7.6bn to FM9.5bn resulting from its acquisition of Montgomery, the US group.

The profits fall was less steep than expected because Kone restated its figures from 1992, 1993 and 1994 to reflect the problems in Italy, rather than taking the full effect in the 1995 accounts.

Profits during those years were inflated by a total of FM173m - of which FM110m fell in 1994 - as two of the group's senior managers in Italy exaggerated the amount of business they had been doing. Both have been sacked. Mr Aimo Rajahalme, Kone chief financial officer, said profits had been restated in the three years in line with the cent coming from Montgomery.

Two Scottish fund managers

are yesterday understood to

have made their final offers for

Dunedin Fund Managers, the

management company con-

trolled by Bank of Scotland.

which is for sale after staff

The two final bidders are

Ivory & Sime and Edinburgh

Fund Managers, both quoted

investment managers based in

Edinburgh. Other fund manag-

defections and resignations.

occurrence of the inflated profits and shareholders' equity had been reduced accordingly. in 1995, the effects of the Ital-

ian fraud were less, but contributed to a FM70m financial burden resulting chiefly from the restructuring, in which four plants. in the UK, the Netherlands, Germany and the Czech Republic, are being

Profits were also hit by increased depreciation charges and financial expenses relating to the 1994 acquisition of Montgomery.

Kone said the effects of restructuring and benefits from Montgomery would be felt this year, when profits would be "clearly better" than in 1995, leading to further improvements in profitability in 1997 and 1998.

Kone, third biggest in the sector after Otis of the US and Schindler of Switzerland, said maintenance and modernisation accounted for 61 per cent of sales.

Demand continues to be flat in Europe, which last year accounted for 57 per cent of Kone's business. But new orders grew by 31 per cent overall to FM6.6bn with 85 per

est have dropped out of the

race. The sale of Dunedin

could be concluded in the next

few days. The successful bid-

der will need to make clear

of the takeover, likely to be

The negotiations involve

Bank of Scotland, which owns

50.5 per cent of Dunedin

through its merchant banking

subsidiary British Linen Bank,

and three investment trusts

managed by Dunedin: Edin-

### **Pacific** Dunlop

By Nikki Tait in Sydney

Pacific Dunlop. Melbourne-based conglomerate which recently sold its large food-manufacturing interests. accompanied news of a 22 per cent fall in interim profits to A\$118m (US\$89m) with an announcement that Mr Philip Brass, its chief executive, is to retire at the end of the finan-

Profits were struck after tax but before abnormal items. and compare with A\$151.3m last time. 5. After abnormal items, profits in the six months to end-December were A\$116.6m, against A\$113.8m.

The results - partly reflecting asset disposals, including food interests - were scored on sales 9.4 per cent lower at A\$3.38m. Earnings per share (before abnormal items) slipped from 14 cents to 11.3 cents. The dividend was held at 11 cents.

edin Income Growth and Dun-

edin Worldwide, which own

With Ivory & Sime and Edin-

burgh Fund Managers each

managing some £4bn of assets

and Dunedin about £5.3bn, the

new entity will have total assets under management of

more than £9bn, making it the

next largest Scottish fund man-

ager after Baillie Gifford,

owned by Caledonia Invest-

Ivory & Sime is 29.9 per cent

which has £11bn.

Pacific Dunlop said most of its on-going businesses had "a difficult trading period". The cables unit suffered from reduced demand in Australia. and the GNB Technologies results were hit by delays in commissioning a new lead smelter in the US.

Two final bidders for Dunedin

the rest.

# European PC sales up 20%

By Paul Taylor

Sales of personal computers in Europe grew by 20.5 per cent to 4.78m in the traditionally strong final quarter last year, according to Dataquest, the market research firm.

In recent years pre-Christmas sales have been boosted by purchases of multimedia home PCs. Sales growth in the 1995 final quarter was comfortably ahead of the 18 per cent growth recorded a year earlier but down sharply from the 29.5 per cent, 27.8 per cent and 23 per cent growth rates recorded in the first three 1995 quarters

The slowing growth rate has been reflected in year-end statements from several manufacturers. Escom, the fast-expanding German PC retailer. has blamed a fourth quarter loss partly on disappointing

Dataquest shows that

Escom's market share in terms of units sold in the fourth quarter fell from 4 per cent in the 1994 period to 3.2 per cent last year and it ranked as Europe's 10th largest PC seller. down from sixth a year earlier. German-based Vobis, which sells under the Highscreen brand, saw its market share drop to 3.7 per cent while Siemens Nixdorf, part of the

controlled by the Cayzer fam-

ily. EFM, meanwhile, is con-

trolled by British Investment

Trust, which owns 54 per cent. Bank of Scotland had origi-

nally intended to find a new

chief executive and chairman

for Dunedin after the resigna-tion in late October of Mr Ham-

ish Leslie Melville and Mr Alan

Kemp, the executive chairman

and his deputy. Four senior

executives had left previously.

Later another six fund manag-

ers said they intended to leave.

13C.451 95,855 68,520 91,705 615,269 1,035,193 454,678 255,369 206,208 325,329 238,237 160,052 196.605 143,553

PC MARKET COUNTRY BY COUNTRY

Siemens electronics group. overtook Vobis to become Europe's sixth largest PC group in sales terms, with 4.5

Other market-share losers included Italy's Olivetti group. troubled Apple Computer and IBM whose market share dropped from 10.1 per cent to 9.4 per cent.

The main gainers included Compaq, which consolidated its position as the largest PC manufacturer with an increased 12.8 per cent of the European market, and Hewlett-Packard, whose Genevabased PC unit lifted its market share from 3.8 per cent to 5.5 per cent in the final quarter, ranking the US-based group as Europe's fourth largest PC

BTR in

By Patrick Harverson

COMPANY NEWS: UK

maker.
Packard Bell lifted its mar-

ket share by one percentage point to 4.1 per cent. Germany remains Europe's biggest PC market, with 1.04m machines sold in the final quarter followed by the UK and France. The fastest growing markets include Belgium. Finland. Italy and the UK. which all have growth rates above 30 per cent, compared

31.7 27.4 14.5 21.2 11.5 31.0

modest 7 per cent growth rate. By the final cuarter almost two-thirds of all PCs sold in Europe were powered by Intel's Pentium processors. leaving machines based around the older 486DX2 and DX4 microprocessors trailing. Sales of machines based on

with Germany's relatively

the PowerPC chip, jointly developed by Apple, IBM and Motorola, accounted for just 5.1 per cent of the market.

# Lloyd's investors see automotive steep share price gains

purchase

BTR will announce this week the acquisition of a US autoproduce steep share price gains, marking a revival of motive components manufacturer for \$110m-\$120m (£72m-£78m) in what will be the first insurance market. Share prices relative to the FT-SE-A All-Share Index have deal struck by Mr Ian Strachan, the industrial conglomerate's new chief executive. jumped as much as 20 per cent

BTR is buying the vibration control division of GenCorp, the US manufacturing group. The Indiana-based unit will be integrated into the UK group's automotive division, which already makes anti-vibration systems in Britain, Germany and Spain for car makers.

Although the performance of the vibration control division has improved in the past year - US analysts expect 1995 profits to have increased sharply to \$11m (\$6m) on sales of \$160m (\$140m) - GenCorp has been unable to develop the business as an international components supplier and has admitted it would be a better fit with BTR.

Last autumn, GenCorp blamed a decline in the automotive sector for reduced third-quarter operating profits of \$22.3m, against \$23.5m. The acquisition fits neatly

into BTR's strategy of dispos-ing of non-core businesses and focusing on industrial manufacturing. The strategy was first adopted by Mr Alan Jack-son, the furmer chief executive who retired at the end of last year, and is being continued under his successor Mr Stra-chan, who took over in Janu-

ary. BTR recently expanded its presence in the Latin American automotive industries with the purchase of Metalur-gica Carto of Brazil

The group has also sold a variety of non-core businesses recently. In the last three months it has raised almost £720m from the sale of its UK aggregates business, its withdrawal from the Malaysian petrochemicals industry and the disposal of its Dunlop Slazenger sports equipment sub-sidiary. More candidates for disposal are expected to be drawn up up over the next few By Ralph Atkins, vided by Names - individuals Limit and Angerstein - have Insurance Correspondent whose assets have traditionally supported Lloyd's on the basis of unlimited liability. Quoted Lloyd's of London

investment vehicles have After bearing the brunt of more than £8bn in losses emerged from the doldrums to reported in recent years, the number of Names is expected to decline steeply by the end of interest in the 300-year-old the decade.

There are 16 listed Lloyd's corporate investors trading with limited liability. Some support a spread of Lloyd's insurance syndicates to control risk; others have concentrated on supporting only a few.

Part of the re-rating reflects the fact that in addition to supporting underwriting, much of the vehicles' funds are invested in equities which have performed well. But some including the two biggest,

seen prices rise above net asset

Mr Chris Hitchings, analyst at UBS, said the stocks had been largely ignored for some time, but now Lloyd's was close to the May target date for implementing its recovery plan, more attention was being paid to valuations.

Prices have also been supported by the setting up in November of a £60m investment trust, chaired by Mr Matthew Harding, the millionaire backer of Chelsea Football Club, specialising in Lloyd's of London corporate members. Interest could grow over coming months as the first underwriting profits - under Lloyd's system of reporting three years in arrears - come closer.

# Flemings tries to quash rumours

Edinburgh-based investment how it is going to meet the cost

about £100m.

By Nicholas Denton

Members of the Fleming family moved yesterday to quash renewed speculation that they are open to approaches for their key shareholding in Flemings, one of the few remaining independent UK investment banks. We are very determined to

remain independent and see no advantage to tying up with another party," said Mr Roddy Fleming, a director and representative of the family. "We are not for sale. We want to remain where we are." Several banks building up investment banking businesses

have sounded out Flemings to test the strength of its public commitment to continued independence. They have fixed upon Flemings because it. along with Schroders, is the largest remaining independent Internationale Nederlanden

Groep put out feelers before it acquired Barings, the UK investment bank which collapsed nearly a year ago. National Westminster is also understood to have made an informal approach. But Flemings has discouraged all over-

While founding families often diversify their personal assets, the Fleming family has gradually restored its stake in the investment bank in the last three years, lifting its holding

It said it had acted to cement ties by drawing more younger relatives into employment at the larger institutions.



Robin Fleming: his bank has discouraged approaches

the company. About a dozen family members have posi-tions, including Mr Robin Fleming, the chairman. The marketing of the bank also hinges on its indepen-

dence, Flemings executives said. Since the failure of Barings, and the takeover of SBC Warburg, Kleinwort Benson and Smith New Court, it has vider of objective advice.

presented itself as a stable pro-But Mr John Manser, chief executive, has admitted that Flemings could come under pressure if the most talented investment bankers opted for the security and resources of

# |FI plans float with £60m tag

exchange flotation through a placing with institutional investors which is expected to value the specialist computer services and outsourcing company at about £60m. The group will be the third

come to the market since the autumn, highlighting the rehabilitation of the sector and the return of investor confidence. Hempstead, Herts, has carved out a profitable niche by focus-ing on the high growth market for applications management, particularly in the finance. retail and leisure and service

The UK market in this area

FI Group plans a stock In the six months to October

computer services company to FI Group, based in Hemel

grew from about £230m in 1994 to £315m last year. FI Group is acknowledged to be a leader in this field - in the year to April 30 about 70 per cent of its £61.7m turnover came from

31 the group reported a 38 per cent increase in pre-tax profits to £2.09m on revenues up 32 per cent to £37.4m. The group's contracts are typically with large organisa-tions which are highly depen-

dent on complex IT systems and have big databases. They include Barclays Bank, London Electricity, Royal Insurance, Tesco and Lloyds TSB. Most recently FI Group has signed five-year contracts with Whit-bread, the Co-operative Bank

and Thames Water.

### **Escapees from takeovers** underperform market

By Patrick Harverson

Large companies escaping hostile takeovers in the past decade have seen their share prices subsequently underper-form the stock market by a wide margin, according to a

report by Scottish Amicable Investment Managers. Today's report, The Ones that Got Away, shows shares in companies which fought off predators in large bids between 1986 and 1994 underperformed the market by almost 20 per cent in the first three years

in a study of 15 bids, each worth more than £250m, the shares of only three target companies outperformed the market. Among the worst performers

were Storehouse, the retailer. whose share price underperwhose share price interper-formed by 66 per cent three years after the group defeated a bid from Benlox in 1987, and Hammerson, the property group, whose shares underperformed by 56 per cent in the three years after Rodamco's failed 1988 offer.

### Funds wary of UK equities British fund managers are growing increasingly wary of the outlook for UK equities, according to the latest monthly Gallup survey sponsored by Merrill Lynch, writes Jeffrey Brown. The poll found that, in early January, 27 per cent of fund managers were looking to reduce holdings of UK equities - more than double the propor-

in recent weeks, marking a

renaissance for the Lloyd's cor-

porate investment companies

which have provided capital

for underwriting at the market

since 1994. On average, relative

prices have risen about 9 per

cent since the start of the year.

Corporate investment was

allowed by Lloyd's to establish

an alternative to funds pro-

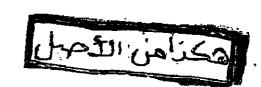
tion (12 per cent) in the preceding month. The survey, carried out among 79 institutions handling £831bn of managed funds, found bulls outnumbered bears by 16 percentage points on a three-month view of UK shares, while the ratio for the month of January was 44 percentage

points. Respondents were also nervous about the outlook for UK bonds with a balance of 23 per cent of fund managers planning to reduce their holdings of gilts.

their holdings of gilts.

Gallup describes the findings as "consistent with respondents' view on the outcome of the next UK general election". Some 95 per cent of money managers believed Labour would win most seats. In the December poll, UK institutions turned seller of European equities for the first time in nine months. The latest poll liets first time in nine months. The latest poll lists Hong Kong and Singapore as the most favoured equity markets.

	CROSS BORD	ER M&A DEALS		
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Famell Electronics (UK)	Premier Industrial Corp (US)	Electronic components	£1.85bn	Standard Life to oppose
Gehe (Germany)	Lloyds Chemists (UK)	Pharmaceuticals distribution	£584.3m	Rival to UniChem bid
Clyde Pretroleum (UK)	Marathon Petroleum (Indonesia)	Oil & gas	£33m	Acquiring third
Johnson Matthey (UK)	Unit of Cray Research (US)	Electronic materials	£25.9m	New core
Inspec (UK)	Unit of AlliedSignal (US)	Speciality chemicals	£18.6m	Reuniting
Morgan Crucible (UK)	Magna Industrial Co (HK)	Chemicals	£14.5m	Asian pletform
Headlam (UK)	Malie Group (Netherlands)	Household goods	£9.7m	Continental
N Group (UIC)	Technoflow (Germany)	Motor components	£8m	Completes 1994
Pearson (UIQ	HarperCollins Educational (US)	Publishing	£387m	Textbook
Haden MacLellan (UK)	Brandt Filtration (US)	Engineering	£1.9m	deal



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# CELLENCE IN EU

Equity, Fixed Income and M&A





INVESCO PLC

60,000,000 Ordinary Shares in the form of Ordinary Shares or American Depositary Shares

Global Coordinator





Koor Industries Limited

6,950,000 American Depositary Shares Representing 1,390,000 Ordinary Shares

Joint Global Coordinator

May, July 1995

April 1995

### NERA

Nera AS Sale of

2,128,000 Ordinary Shares from Asea Brown Boveri AS

2,009,245 Ordinary Shares in the form of Ordinary Shares or American Depositary Shares and listing of Nera AS on NASDAQ

Agent in a series of sales to institutional investors and Bookrunner

May 1995

SGS-THOMSON Microelectronics N.V.

> 20,700,000 Common Shares

Co-Global Coordinator

# ABBEY NATIONAL

Abbey National plc

U.S.\$750,000,000

6.69% Subordinated Notes due 2005

Joint Bookrunner

#### **GlaxoWellcome**

Glaxo Wellcome plc

U.S.\$500,000,000

6125% Notes due 2006

Joint Bookrunner

LANDESBANK RHEINLAND-PFALZ

LB Rheinland-Pfalz Finance BV

DM 1,000,000,000

7.25% Notes due 2005

Unconditionally and Irrevocably Guaranteed by Landesbank Rheinland-Pfalz-Girozentrale-

Joint Bookrunner

REED ELSEVIER Reed Elsevier Capital Inc.

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6.625% Notes due 2000 U.S.\$150,000,000 7.00% Notes due 2005

U.S.\$150,000,000 7.50% Debentures due 2025

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Lead Manager

Ameritech



Ameritech International, Inc.

Singapore Telecommunications Limited (in consortium with Tele Danmark A/S)

have acquired a 50% less one share interest in

Belgacom S.A.

Financial advisor to Ameritech International, Inc. and Singapore Telecommunications Limited March 1995

### **BASF**

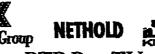
**BASFAG** 

has acquired the Pharmaceuticals division of

The Boots Company PLC

Financial advisor to BASF AG

# KirchGroup



PTB Pay-TV Beteiligungs GmbH, NetHold BV.

Kingdom 5-KR-16 Ltd.

have acquired an 18.5% interest in

Mediaset S.p.A.

Financial advisor to PTB Pay-TV Beteiligungs GmbH, NetHold B.V. and Kingdom 5-KR-16 Ltd.

Istituto Bancario San Paolo di Torino S.p.A.

> has increased its stake to 100% and merged with

> > CREDIOP

Joint financial advisor to Istituto Bancario San Paolo di Torino S.p.A.

1

The Ministry of Finance of the Republic of Hungary has sold a majority stake in



Budapest Bank Rt.

GE Capital

European Bank for Reconstruction and Development

Joint financial advisor to The Ministry of Finance and Budapest Bank Rt.



Rhône-Poulenc Rorer Inc.

has acquired

Fisons plc

Financial advisor to Rhône-Poulenc Rorer Inc.

The RTZ Corporation PLC

July 1995

has acquired a minority interest in and formed an exploration and development joint venture with

Freeport-McMoRan Copper & Gold Inc.

Financial advisor to The RTZ Corporation PLC

VEBA AG

has entered into a strategic alliance with

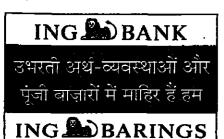
Cable and Wireless plc

This transaction included the sale of 45% stake in Vebacom GmbH to Cable and Wireless plc and the acquisition by VEBA AG of a 50% stake in Cable and Wireless Europe, S.A.

Financial advisor to VEBA AG

LEHMAN BROTHERS

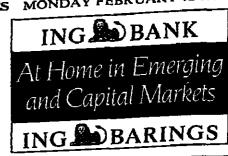
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# FINANCIAL TIMES

THIS WEEK

Global Investor / Tony Jackson in New York





haha of last week's signing of the US tele communicabut striking detail. Merrill

Lynch and Salomon, two of the biggest and most international of Wall Street's broking houses, said they expected 20 per cent of their future revenues in investment banking to come from telecoms world-

It is sobering to recall that 15 years ago the global telecoms sector consisted almost wholly of a single stock: the old AT&T. Then AT&T was broken up, international privatisation got under way, and between 1986 and 1995 the value of the sector quadrupled. It now stands at some \$650bn.

That figure still only represents 5.5 per cent of the value of the world's stock markets, up from 3.1 per cent in 1988. If Merrill's and Salomon's 20 per cent figure is right, the proportion is bound to rise further.

Indeed, the process seems to be accelerating. The flood of privatisations continues: from Peru and Indonesia, from Russia and Germany. In the US, meanwhile, the telecoms bill opens the door to profound restructuring of the entire communications industry. Any

Amid the brou-

funded in part by phone com-

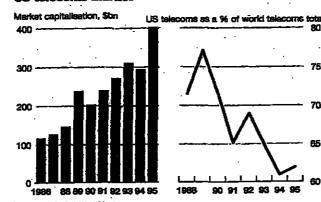
Investors will be asked to put up tens or even hundreds of billions of dollars to fund the industry's transformation. It is worth reflecting on the nature of this investment. As privatisation and liberalisation become the norm, what will global telecoms look like? To begin with, the past will

be no guide to the future. The whole point of liberalisation is that equity is needed to fund the process of change. That same process alters the industry's operating characteristics. Entrenched monopolies can

prove surprisingly durable, as British Telecomunications has shown. But in the long run, companies which once conformed to a standard pattern will be pushed into adopting different and competing strategies. For the investor, the level of risk and opportunity is

The erosion of monopoly tends to take a similar form around the world. As defined by Ms Anita Springer, telecoms

Ringing rapid changes in telecoms



analyst with Scudder, the USbased fund manager, the first stage is the throwing open of wireless telephony. Then comes competition in international calls, then in the local monopoly.

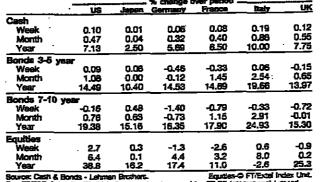
In a developed market like the US, there is a further stage: the introduction of broadband technology to the local phone system. This puts telephony on a common footing with other

kinds of digital data, from Internet connections to video on demand. Phone companies are thus brought into competition or alliance with a host of related industries.

90 91 92 93 94 95

At the less developed end of the spectrum, the process of change is highly political. All phone companies are under pressure to lower their costs by upgrading their technology, which means substituting com-

Richard Mooney



for international calls, as a

means of securing hard cur-

rency and holding down domestic call rates. The US is

pushing to have those rates

reduced as a matter of trade

parity. The phone companies thus face the political issue of

whether they can raise domes-

good the shortfall.

puters for people. As Ms Springer remarks, she is no longer impressed when a phone company says it is cutting costs. What matters is how fast productivity is rising relative to the competition: and that in turn depends largely on

Again, phone companies in many countries have traditionally charged exorbitant rates

how fast people can be thrown

out of work.

Even so, expect surprises. Indonesia's telecoms company was judged unsatisfactory in those terms, and its initial offering had to be scaled down and cut in price. From a low some months ago of \$18, the stock is now more than \$32.

cutting costs.

As for the US market, the complexity of the outlook is illustrated by a debate between - again - Merrill Lynch and Salomon. As part of the deregulation in the telecoms bill, long distance and local phone companies can now attack each others' markets.

Two simple rules suggest themselves. Make sure the

company has a detailed description of its new regula-

tory framework: and look for

clear and specific targets on

Merrill's analyst. Mr Dan Reingold, argues that the local companies will emerge victorious. Salomon's equally respected analyst, Mr Jack Grubman, argues the opposite. Each offers a persuasive case.

tic rates fast enough to make Both cannot be right. How do investors choose which privatisations to go for? The GT Global Telecoms Fund in San Francisco, with \$2.6bn under management. claims to be the biggest fund of its kind in the world. Where does its manager, Mr Michael Mahoney, stand on the controversy? Simple, he says. He holds no stock in either long distance or local companies.

The onset of competition, he argues, will always be beneficial in the long run, since lower charges will stimulate traffic. The snag comes in the first year or two of transition.

In the meantime, he suggests, look to the providers of equipment. They, after all, will be large beneficiaries of the equity phone companies are raising for modernisation.

The range is enormous, from the newly entitled Lucent Technologies - the equipment business of AT&T being spun off in the biggest public offering in Wall Street's history to networking specialists such as 3Com of San Francisco.

The principle is a sound one. The British empire builder Cecil Rhodes, it may be recalled, made his fortune at the Kimberley diamond mine in South Africa: not by hunting for diamonds, but by renting out a steam shovel to miners.

This could stand as a parable for the telecoms industry as a whole. On the same principle, if the equipment companies do not appeal, one could always buy shares in Salomon or Merrill Lynch.

# Gold forum is well timed

The timing of the International Precious Metals Forum that opens at London's Dorchester Hotel today could hardly have been better.

After bursting, early in the new year, through the \$400-atroy-ounce barrier that it had found insuperable for 18 months, the London gold price raced to a two-and-a-half-year high of \$417.50 just over a week

Talk of tests of technical resistance at \$420, the 1990 peak of \$424.50 and even \$450 an ounce proved premature,

with the price sliding back to \$405.50 last week, but gold market bulls saw that as a healthy "correction" and remained confident that while the market stayed above \$400 an ounce considerable upside potential

"Basically I'm still bullish," a trader told the Reuters news agency last week, "but it's not going to be easy. There is good selling all the way up to

"We're seeing a lot of action in a tight range," said another. The keynote address at the

London forum will be given by South African MP Mr Marcel Golding and papers will also be presented on behalf of the Instanbul Gold Exchange, the York Mercantile Exchange and investment

banker NM Rothschild. Other events this week include the UN Common Fund for Commodities' five-day annual workshop on commodity development in Africa that started in Abidjan, the Ivory Coast's capital, yesterday.

Today sees the publication of the International Primary Alu-

minium Institute's stocks data for December.

On Wednesday Mr Franz Fischler, European Union agriculent the European Commission's 1996-97 farm price proposals and a report on the beef market.

On Thursday the International Sugar Organisation's two-day Sugar 2,000 conference opens in London. Representatives of producers and consumers will give papers on the outlook for the international

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#### Company news

#### SE-Banken hopes to shed loan loss woes

Skandinaviska Enskilda Banken will be hoping to draw a line under an embarrassing loan loss which plagued it last year, when it becomes the first of Sweden's big banks to report 1995 results

Not for the first time, the bank - the financial flagship of the Wallenberg industrial empire – is seeking to put behind it the loan loss crisis of the early 1990s which brought the whole Swedish banking system close to collapse.

Last year, SE-Banken wrote off a large part of its distressed property holdings, which resulted in a SKr701m loss for 1994 but which was meant to forestall any lingering effects of the loan loss crisis. Within months it was forced to make further provisions to cover exposure to a failed financial investment group called Luxonen which also dated back to the earlier turbulence.

Analysts expect full-year operating profits just above SKr2.5bn (\$360m). That main rivals, but a sharp improvement from the half-year when the Luxonen affair left SE-Banken barely in surplus.

Nordbanken also had an eventful 1995. but for different reasons. The biggest casualty of the loan-loss crisis, Nordbanken only survived because of massive injections of state aid. Relieved by the taxpayer of most of its bad debts unlike SE-Banken and Svenska Handelsbanken - Nordbanken returned to strong profitability in 1995 and the state successfully began its privatisation. Analysts expect full-year profits on Friday of SKr5.9bn - the highest among the leading banks.

■ Investor: The question for shareholders in the main investment vehicle of the Wallenberg empire is when it will launch the promised flotation of at least a 65 per cent share of Scania, its highly-profitable, wholly-owned heavy truckmaker reckoned to be worth some SKr30bn. An answer may come with the 1995 results on Thursday. Picking the right moment to maximise returns is tricky. Investor admits it missed the high-point of the truck cycle last year,

# SE-Banken

but does not anticipate a deep recoil. The

market expects 1995 profits of SKr5.3bn.

#### High crude prices to fuel oil groups

double the 1994 level.

British Petroleum, which saw its share price rise to record levels last year, is expected to report replacement cost profits (which strip out the effects of oil price changes) of £480m-£570m when it reports its fourth-quarter results tomorrow. That will not include the \$1.1bn (£710m) charge which it will take for the quarter to cover the costs of a

Both BP and Shell Transport and Trading, which also reports tomorrow, will benefit from higher crude oil prices at the end of last year. But both are also likely to be hit by the declining outlook for their chemicals division.

Shell could buck the recent industry trend of deteriorating refining margins because of its substantial presence in Asia, where refining margins were buoyant in the fourth quarter. Net income estimates for the fourth quarter are around £1.1bn.

■ Reuters: The financial information and news group is expected to report full-year pre-tax profits of £580m-£600m tomorrow.

an increase of 14-18 per cent.
The group, which is one of the darling stocks in the media sector, has already signalled a slowdown in the second half because of consolidation in the investment banking sector, which has led to lower demand for its products.

Reuters also warned at the interim stage that it could not assure double-digit revenue growth in 1996, so analysts will be eager to hear the group's plans for long-term growth.

# Routers Share price relative to the FT-SE-A All-Share Index 90

■ Lloyds Abbey Life: The 1995 results from the life assurer on Wednesday start the three-day spate of numbers from the Lloyds TSB Group, which came through a time of change last year with two significant acquisitions taking effect. On Thursday, Cheltenham & Gloucester. which became the group's mortgage lending arm on August 1, gives its results, while those for the whole group, which was formed on December 28 by the merger of Lloyds Bank and the TSB

Group, will be published on Friday. Analysts' estimates for pre-tax profits for the combined operations run at over £2bn. For 1994, Lloyds Bank reported pre-tax profits of £1.3bn; C&G reported reported pre-tax profits of £504m for the year to the end of October.

In its merger statement, the group expected to recommend a final dividend for 1995 of not less than 7.8p (net).

■ Mersey Docks and Harbour Company: Analysts had hoped that the transport company would report pre-tax profits of £38m on Thursday, but after a four-month dispute over 329 sacked dockers, the company revealed that £31m was more likely. The sacked men rejected an £8m settlement this week, which the company had planned to set against 1995.

■ Foster's Brewing: The Melbourne-based brewer will feel the effects of the A\$425m (£208.3m) sale of its Courage business in the UK last year, when it reports interim results to December 31 today. Analysts expect profits be about A\$170m, against just over A\$201m.

Foster's main move since selling the UK unit has been to make a A\$482m bid for Mildara Blass, the winemaker, and this deal looks close to completion. The market will also be eager to hear what further expansion plans Foster's has.

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#### **LEGAL NOTICES**

ENGLISH & AMERICAN INSURANCE COMPANY LIMITED

English & American Insurance Company Limited (the "Company") is subject to a scheme of arrangement dated 28 October 1994 and which became effective on 8 February 1995 (the "Scheme").

Notice is hereby given that a meeting of Scheme Creditors has been convened by the Scheme Administrators in accordance with the provisions of the Scheme to be held at 11.00 a.m. on Monday, 18 March 1996 in the Great Hall, Chartered Instrumce Institute, 20 Aldermanbury, London EC2V 7HY. The chairman of the meeting will deliver a report to Scheme Creditors on the conduct of the affairs of the Company and the operation of the Scheme since 8 February 1995 (the "Report").

Each Scheme Creditor will be required to complete a registration form registering his/her attendance at the meeting prior to its commencement. Registration will commence at 10.00 a.m. in the Great Hall. Anyone who believes that he/she may be entitled to attend the meeting may obtain a copy of the Report and the registration form from:

The Scheme Administrators KPMG

Anthony James McMahon, or failing him, Roger Smith, both Scheme Administrators of the Company, will chair the meeting of Scheme Creditors.

DATED: 12 Pebruary 1996 A J McMahon and R Smith Scheme Administrators

The general insurance business of Providence Capitol Life Assurance Limited (formerly Stater Walker Life Assurance Company Limited, Stater Walker Insurance Company Limited and Arrow Life Assurance Company Limited was transferred to English & American Insurance Company Limited in accordance with section 51 of the Insurance Companies Act 1982 with effect from 3 March 1988.

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REGIONAL MARKETS			AY FEBR	UARY 9 .	1996			— п	HURSDAY	FEBRUA	RY 9 100	BB	DO		
Figures in parentheses US	%chg	Pound				Local %	Gross	US	Pound			Local	DC	ALLAN IN	
show number of lines Dollar	since	Sterling	Yen	DM	Currency	rang Srom	Div.	Dollar	Sterling	Yen	DM				Year
of stock andex	29/12/95	index	Index	Index	Index	29/12/95	Yield	Index	Index	Index.	Index	Index	52 week		ago
Australia (81)197.08	3.7	190.71	122.05								-	Index	High	Low	(approx)
Austria (26)196.57	5.9	180.54	133.25 126.15	151.37	173.39	2.0	3.87	197,95	190.94	133.69	151.92	173.77	199.13	158.71	450.00
				143.30	143.14	10.3	1.51	187.33	180.69	126.52	143,77				158.71
Belgium (34)212.09	1.4	205.24	143.40	162.90	158.85	4.7	3.32	213.51	205.94	144.20	163.86			168.11	169.15
Brazzi (28)166.73	20.9	161.34	112.73	128.06	300.24	21.7	1.61	166.60	160.69	112.52	127.65			167.76	
Canada (101)	6.3	152.74	106.72	121.23	156.82	7.0	2.40	158.71	153.0g	107.19	121.80		170.25	86.06	
Denmark (33)	4.7	292.45	204,34	232.13	234.99	B.O	1.39	303.67	292,91	205.09	233.05			125.64	127.01
Finland (24)	-2.5	176.46	123.30	140.07	176.80	3.7	1.81	183.71	177.20	124.07	140.99			252.41	
France (99)183.15	2.1	177.24	123.84	140.66	145.80	5.9	3.12	182.80	176.33	123.46	140.29			171.13	
Germany (80)168.77	3.1	163.32	114.11	129.63	129.63	6.4	1.89	169.99	163.97	114,81	130.46			181.53	
Hong Kong (59)440.26	13.8	426.03	297.57	338,15	437.01	13.6	3.24	442.00	426.34	298.52	339.21			14 <u>2.2</u> 5	144.30
reland (16)255.85	0.1	247.58	172.99	196.52	228.76	1.9	3.36	256.23	247.15	173.05	196.64	438.71		318.35	324.92
Italy (59)80.20	8.8	77.60	54.22	81.80	93.87	7.5	1.59	79.96	77.12	54.00	61.36		262.70	205.44	212.12
Japen (482)152.73	-1.4	147.79	103.26	117,31	103.26	2.2	0.74	153.89	148,43	103.93				65.45	81.68
Maleysia (107)514.16	6.0	497.54	347.64	394,91	504.35	6.3	1.66	519.36	500.98	350.77	118.10		164.82	136.95	143.07
Mexico (18)1159.26	11.9	1121.79	783.82	890.40	9487.01	8.7	1.47	1178.91	1137.14		398.58	510.26	561.98	425.77	477.33
Netherland (19)275.52	1.0	266.61	186.29	211.62	206.00	4.2	3.14	275.07	265.32	796.21	904.76		1237.14	647,81	1050.35
New Zealand (14)79.41	-0.3	76.84	53.69	60.99	62.44	-3.5	4.66	80.31	77.46	185.77	211.10	207.54	280.49	220.44	220.44
Norway (33)230.82	-0.2	223.36	158.06	177.29	202,11	1.9	2.16	231.73	223.52	54.24	61.63	63.24	85.49	72.27	72.45
Singapore (44)449.90	10.5	435.36	304.19	345.56	293.54	10.6	1.37	455.30	439.17	156.51	177.85		243.79	202.76	213.84
South Africa (45)428.32	11.2	414.48	289.60	328.96	341.50	11.2	3.45	429.44	414.23	307.50	349.43	297.10	465.21	342.37	
Spain (37)164,81	-0.2	159.49	111,44	126.59	155.21	2.2	3.87	163.61	157.81	290.04	329.58	342.25	437.76	302.03	344.62
Sweden (47)314.42	0.8	304.26	212.59	241.50	323,59	5.7	1.87	308.70		110.50	125,58	154,12	168.91	124.10	302.39
Switzerland (39)222.54	-5.7	215.44	150.53	171.00	186.74	-1.0	1.60	223.28	297.76	208.49	238.91	319,40	324.31	232.23	134,08
Thalland (46)	11.8	1B2.04	127,20	144,49	184.58	12.2	2.03	191.84	215.37	150.80	171.36	168.82	239.55	156.96	244.10
United Kingdom (205)229.63	-0.4	222.21	155.26	176.38	222.21	0.9	3.99	229.98	185.04	129.56	147.23	188,19	193,95	130.15	166.96
USA (632)	6.4	258.60	180.69	205.26	267.24	6.4	2.15	267.05	221.83	155,33	176,50	221,83	232.53	192.74	152.97
			<del></del>					207.00	257.58	180.38	204.95	267.05	267.24	196.84	195.40
Americas (779)243.92	6.5	236.04	164.82	187.35	205.03	6.5	2.15	243.83	235.19	184.68	187.13			180.04	195.84
Europe (731)201.95	0.5	195.42	136.55	155.11	175.28	3.2	2.96	202.08	194.92	136.48	155.09	204.93	243.92	180.00	180,79
Nordic (137)278.27	0.8	269.27	188.15	213.73	246.27	5.4	1.80	275.96	266.19	186.38	211.79	175.19	204.32	169.63	171.12
Pacific Basin (833)165.82	0.4	160.46	112.12	127.37	115.02	3.3	1.18	167.08	161.14	112.83	128.21	244.77	285.02	<del>222.22</del>	232.81
Euro-Pacific (1584)180.77	0.4	174.93	122.22	138.84	137.93	3.2	2.00	181.54	175.11	122.61	139.33	115.78	171.87	145.95	151.15
North America (733)260.48	6.4	252.08	176.12	200.07	259.84	6.4	2.16	260.34	251.12	175.63		138.37	183.39	156.37	159.38
Europe Ex. UK (526)182,36	1,1	178.47	123.30	140.07	148.87	4.4	2.39	182,39	175.83	123.18	199.80	259.67	260.48	192.52	192.52
Pacific Ex. Japan (351)	8.6	277.92	194.18	220.59	251.96	8.1	2.92	289,18	278.93	125.31	139,96 221,93	148.88	184.61	152.92	154.16
World Ex. US (1756)182.69	1.0	176.78	123.52	140.32	142.33	3.6	2.04	183,48	176.97	123.92		253.82	291.91	229.25	230.52
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The World Index (2388)	3.2	202.08	141.20	160.40	178.28	4.8	2.08	200.00				226.14	240.02	187.38	187 38
							2.00	209.28	201.87	141.34	160.61	178.55	200.20		
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#### **EMERGING MARKETS:** This Week

The Emerging Investor / Matthew Kaminski in Chisinau

# Attractions and drawbacks of the Baltics

When banks collapse in emerging markets, the economy suffers and the undeveloped financial system loses precious liquidity.

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isation.

But as shown in Latvia and Lithuania, the small Baltic countries languishing through a painful banking shake-out, investors might be wise to keep a close eye on the debt

The two countries treasury bills offer up to 35 per cent annualised return, roughly where the market stabilised after Latvia's largest bank collapsed in May and Lithuania's two biggest commercial banks closed in December, The governments' decisive moves to close the weak banks and prevent a run on deposits at other institutions helped restore some confidence, yet not before interest rates had doubled.

Fairly low inflation in both. expected not to exceed 25 per cent this year, and strong currencies make government paper a good buy for fund managers just discovering the three most economically developed ex-Soviet republics. The third, Estonia, went through a banking crisis back in 1992, but it also offers attractive vields on government and municipal bonds denominated in kroons, a currency pegged to the

"There is some arbitrage to be done," said Ms Isabelle Terrillon, associate director at Nomura International, which handled Latvia's and Lithua-

nia's eurobond debuts last year. But she warned that the T-bill market was small, averaging \$10m-\$12m at the auction held weekly in Latvia and

twice a week in Lithuania. "If you are looking for big market capitalisation, you won't get in the Baltics," Ms Terrillon said. "That is their big drawback".

For foreign investors the other drawback, of course, is the impact of the banking crises on their economies. Growth will be depressed in Latvia and Lithuania this year and infla-tion may be higher than expected. Banka Baltija in Latvia took 40 per cent of the sector under with it: the gross domestic product, initially forecast to rise, fell 1 per cent last year. The budget deficit doubled.

Although Latvia's traumatic episode took it wide off track. businessmen in Riga are optimistic that growth will return in 1996. The financial sector. the cornerstone of Latvia's economic recovery, appears stronger following last year's consolidation and is eager to reclaim its role as the ex-Soviet equivalent of Zurich. GDP may rise by 3 to 5 per cent this year. nessmen, has formed a government pledged to push ahead with privatisation.

Blamed for mishandling its own crisis, Lithuania's government fell last week, heightening the political uncertainty. A new cabinet formed by the reformed ex-Communists must prove the banking rescue plan market, giving investors can replenish the sector without overshooting this year's 20 per cent inflation target. Investors are weary and

greater access. A stock exchange is belatedly scheduled to open on May 31 trading in five to seven companies. growing pressure from the The Estonian privatisation

agency has finished 11 interna-

tional tenders, using the Treu-

hand method, criticised by

Deutsche Morgan Grenfell in a

recent report for an "unfortu-

nate Teutonic bias" that

slowed the creation of a sec-

ondary market by selling large

stakes to strategic investors.

Since 1994, the country has

sought to diversify its

approach. Minority stakes in

Saku, a brewery, and Tallinn's

large department store were

sold by youcher, and are

### Moldova's stock market expands

Moldova's small capital market looks set to expand after the successful completion of a mass privatisation programme two

months ago, writes Matthew Kaminski. With 1,142 large companies turned over to the private sector for free vouchers since 1993, the secondary market will be a good way for many to raise the capital needed to modernise. Mr Victor Chiriac, president of Moldova's stock exchange, expects "not less than 150" companies to join the 18 listed on the market, which was opened in June.

More than 95 per cent of the companies on the exchange will come from the privatisation programme, which helped put some

70 per cent of the economy in the private sector. However, the secondary market will not grow as quickly. Many companies, financially weak and inefficient, might not be able to qualify for

opposition political parties might force a devaluation. The ousted prime minister, Mr Adolfas Slezevicius, had been the strongest champion of a fixed peg for the litas.

That leaves Estonia, the star economic pupil. Unlike Latvia and Lithuania. Estonia never tried to bail out its eight bad banks. A balanced budget, high capital inflows and booming trade with the west will again produce economic growth this year, estimated at 4 per cent. A widening current account deficit is virtually the only thorn.

traded through the central depository. Estonia's stable legal and These companies ought to be the blue chips on the future political climate will soon be complemented by a secondary stock exchange. But the Deut-

sche Morgan Grenfell report noted that the bigger Estonian companies were likely to prefer to list across the Gulf of Finland on the Helsinki stock exchange, as Tallinn's Hansa Bank did last year.

The Estonian privatisation agency said one last tender for an unspecified number of companies remained to be completed. It will then concentrate on preparing the large electricity, gas and telecommunications companies, and the ports, for privatisation this year.

The fate of privatisation will be closely followed in Latvia, the regional laggard in shedding state enterprises. The new government has announced that some jewels will go up for sale: among the 200 companies expected to be sold are the Latvian Shipping Company and the state savings bank. A question mark hangs over the Ventspils port, Russia's only Baltic oil gateway with a capacity of 40m metric tonnes a year. The sale of the strategic and profitable port will test the government's political will.

After selling 29 companies by voucher last year, Riga wants to privatise at least 50 this year. The flotation of Unibank quadrupled weekly turnover on the Riga stock exchange to \$28,000. "The next 18 months look exciting," said Mr Karlis Cerbulis, president of the exchange, which opened last year, trades 21 shares and is capitalised at the equivalent of

\$25m. "The only thing we need

Philip Gawith

is product to trade," he said. But the government must prove to sceptical investors that its privatisation promises are not empty once again.

As in Estonia, Lithuania's sell-off scheme has attracted controversy. Its free voucher sales took more than 70 per cent of state companies off the books. Outside capital did not follow. Despite its introduction to international capital markets through December's \$60m eurobond flotation. Lithuania remains the Balt last on a for-

eign investor's list. The stock exchange, capitalised at Lt650m (\$163m), trades shares in 350 companies, but not one has qualified for the exchange's official list. Foreign investment has been largely limited to government treasury bills, which will be traded on the exchange, according to Mr Rimantas Busila director general. A standardised auditing is set to come into place only this year and access to financial information is selective.

Mr Busila argues that Lithuania offers a great opportunity for investors to take equity and rebuild illiquid companies. However, large investors might lack the patience needed to do that in the Baltic market.

Despite the bumps on the road to the developed world, the Balts are poised to be the gateway between Russia and the west small, yet lucrative, markets built to western standard with an eastern flavour.

World (395) .

Argentina (22) Brazil (23) Chile (16)

Colombia (14) Mexico (23)

Europe Greecs (18) Portugal (20) Turkey (26) South Africa (32)

Asia China (24)

Indonesia (32) Korea (23) Malaysia (24) Pakistan (14)

News round-up

Strategy A heavily overvalued US stock market is likely to fall sharply over the next 12 months and

global economic growth will come from the Asian economies, says Mr Barton Biggs of Morgan Stanley Asset

Management. He forecast that the US was on the edge of a bear market. that Japan, was undervalued and Hong Kong could break through the 20,000 level in the Hang Seng. He also thinks that China and India will show solid growth, and forecasts that Asian emerging equity markets would show a return of about 25 per cent in 1996.

#### Poland

Flemings has launched the first closed-end Poland fund which will invest in quoted companies, IPOs, pre-IPOs and companies intending to obtain a listing within a two year period. The Jersey-based fund, with an application to list on the Irish stock exchange, has already raised about \$30m.

**■** Bombay The surge last week in the Bombay stock exchange, the

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ING Baring Securities Emerging Markets Indices

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Week on week movement

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largest of the country's equity markets, caught analysts by surprise, Reuters reports. The index has gained 21 per cent in two weeks, mainly as a result of foreign purchases, and the expectation now is that foreign inflows to India this year will be sharply higher than in 1995, when net foreign portfolio investments fell to \$1.2bn.

#### ■ Taipei

The Securities and Exchange Commission plans to allow foreign mutual funds to invest in the stock market. The funds are currently banned under a rule stinulating that any fund manager allowed to invest must use only its own funds.

#### Cairo

The Egyptian money market has issued its first pounddenominated bond by a foreign bank, agencies report. Citibank is issuing five-year floating-rate bonds worth E£200m (\$59m) to be traded on the Egyptian stock exchange.

 Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page.

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Year to date movement

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#### **CURRENCY MARKETS**

# Sterling takes centre stage

Sterling will be the initial focus this morning as London markets have their first opportunity to respond to the IRA's resumption of its bombing

campaign in the UK. Expectations are that the pound will experience some selling pressure, as it did in New York on Friday after the explosion in London's Canary Wharf, but there is little reason to expect sustained weak-

Arguably a more strenuous test awaits sterling later in the week, with the release on

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Thursday of the politically controversial Scott report into the "Arms to Iraq" affair.

It is possible that publication of the report will lead to ministerial resignations, placing further pressure on a government already weakened by a wafer-

thin majority. Elsewhere, markets will be keeping an eye on the meeting today in Bonn of Mr Helmut Kohl, the German chancellor, and his French counterpart, Mr Alain Juppé.

No meeting of German and French leaders at present can

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be expected to pass without a re-affirmation of the Maas-tricht schedule. But only some development seriously at odds with this view would interest

Later in the week attention will shift to Frankfurt where the Bundesbank council meets on Thursday. Recent comments have dampened expectations of an early cut in official German interest rates, though a further move on the repo rate is possible.

The council is likely to want to see fresh money supply fig-

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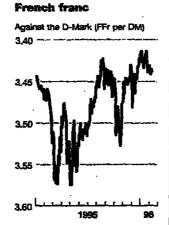
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ures before cutting rates again. The dollar looks set to remain rangebound, with little scheduled news out of the US, but the market remains opti-

A survey conducted last week for the financial markets consultancy. IDEA, found 35 respondents suggesting a median value for the dollar in two months' time of Y108 and DM1.5050.

For the rest of the year, the range of median expectations for dollar/D-Mark was DM1.40



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DECENIT VINCIDIAL

KEGENI MINGTIN CAPITAL MANAGEMENT LIMITED

(REGULATED BY IMRO)

is pleased to announce that the continuing offer of shares, with warrants attached, in

CZECH VALUE FUND

(an exempted closed-end Cayman Islands company)

has closed with (total subscriptions of)

US \$ 58,133,088

Investment Manager REGENT KINGPIN CAPITAL MANAGEMENT LIMITED

> Placing Agents ING BARING SECURITIES LIMITED

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The Financial Times plans to publish a Survey on

# The Humber Ports: Gateway to Europe

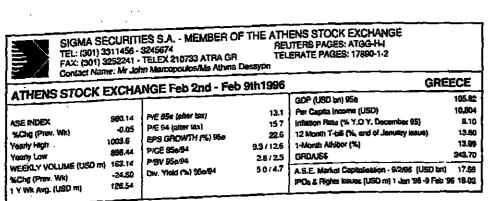
on Thursday, March 14.

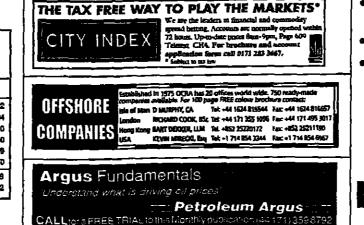
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- The Weekday FT is read by 139,000 senior business people in Great Britain.
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FT Surveys





#### WORLD BOND MARKETS: This Week

Conner Middelmann

20

years

prices index data will be key,

underlying RPIX rate to 2.7 per cent, from 3.0 per cent in

and are widely expected to

December. Retail prices are

expected to have fallen by 0.3

per cent on the month, after a

0.6 per cent rise in December.

Friday's PSBR figures for

support to the market. "We see

January could lend further

a surplus of £4bn to £50n ~

for gilts," says Mr Milligan.

that would be very good news

show a further fall in the

Benchmark visid curve (%)"

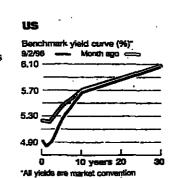
6.30 \$

# **NEW YORK** US Treasuries have had a

choppy week, weighed down by the new securities that hit the market with the Treasury's quarterly refunding auctions. With the bulk falling on the longer end of the maturity spectrum, longer-date securities underperformed the shorter end of the market. leaving the benchmark 30-year bond yielding 6.094 per cent.

Analysts are still optimistic on the long-term outlook. Most of the recent indicators have pointed to a deceleration in economic activity and a moderation of inflationary pressures, suggesting further

cuts in interest rates. But attention this week will focus on what Salomon Brothers describes as a strange statistical brew: long-delayed releases on factory orders and construction spending, a weather-impaired report on industrial output, and early-February soundings on chain-store sales and manufacturing activity in the



Richard Tomkins

#### Philadelphia Federal Reserve district.

Closely watched will be the business conditions diffusion index in the Philadelphia business outlook survey, due on Thursday. The gap between those reporting a pick-up in business conditions and those reporting a slow-down in February is expected to have remained well below zero for a second month, albeit narrowing to 8 per cent from 16.6 per cent the month before.

#### After tracking US Treasuries and German bunds in the past fortnight. UK gilts will have a healthy crop of home-grown

LONDON

data to lead the way this week. Indeed, many expect the market to do better than some of its neighbours. "This week's data should see inflationary pressures ease, providing a firm basis for gilts to outperform," predicts Mr Andrew Milligan, UK economist at New Japan Securities.

According to Mr Simon Briscoe, UK economist at Nikko, today's producer price data for January should reassure the market. "We expect all measures to show further falls in the annual rates," he predicts. The Bank of England's

quarterly inflation report, due on Wednesday, is expected to highlight recent improvements in inflation. Also due are unemployment data for January, which are expected to be broadly unchanged. Thursday's January retail

#### FRANKFURT

The financial markets had some gloomy data to digest last week, with record unemployment and falling orders. Bond prices moved sideways, with contradictory views about interest rates.

Some traders argued that dismal jobless figures would eventually prompt the Bundesbank to nudge rates lower. Others took notice of rumours that money supply growth for January had risen so strongly that rate cuts could not be justified.

Mr Otmar Issing, a Bundesbank director, warned that January's M3 might be distorted because of the way the calculation method works at the start of the year. Mr Julian Jessop, an economist at HSBC Markets

that the deterioration in the labour market reflected high pay rises last year. "It would not cut interest rates for this reason alone." he

said. He expects no change in

Research, pointed out that the

Bundesbank had long argued

### Benchmark yield curve (%)" 7.00 5.00

Andrew Fisher

4.00

the discount and Lombard rates (now 3 and 5 per cent respectively) at Thursday's council meeting, with the fixed-rate securities repurchase (repo) level rolled over for another two weeks, but does

10 yrs 20

expect an eventual rate cut. Mr Issing said the 3.30 per cent repo rate was now at the lower end of its range. But he did not indicate if there was scope for the rate to fall further without cutting the discount rate again.

#### TOKYO

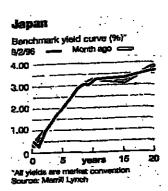
A rise in the supply of new debt is worrying some market participants as an increasing number of companies dip into the market for funds. The Bank of Japan is

expected to continue to provide ample funds in the money markets at the short end ahead of the rise in demand for funds before the March book closing, but long-term yields may face upward pressure from the rise in corporate funding. The expected recovery of the

for capital investment. Many companies are having to raise new funds because equitylinked finance set up in the late 1960s has been affected by the stock market slump. This has prevented conversion of the instruments into equity. Straight bonds from Nissan

economy has revived demand

Motor, Nippon Steel and Orix saw slack sales last week. With corporate financing through equity-linked issues and new equity rising, investors have had less incentive to buy straight bonds.



Emiko Terazono

WE WES

The bond market may also be hit by selling by Norinchukin, the leading agricultural financial institution. Wr Ichizo Ohara, the agricultural minister, revealed that Norinchukin will raise Y200bn, its share in the Y6,410bn housing loan bail-out scheme through Y100bn in government bond sales, Y80bn by dipping into its profits for the current business year and Y20bn through its reserve

#### Government bonds

# How to get from Ecu to euro via Emu

being struck by lightning than finding an economist who believes European monetary union will take place in 1999 with the original signatories to the Maastricht agreement.

But while bond prices suggest investors expect some form of Emu to take place, the implications of a delay are not clear-cut. There is a particularly difficult risk/reward conundrum for investors in Ecu bonds, of which about Ecu128bn is outstanding.

A delay to Emu could be negative for Ecu bonds for two reasons, says Ms Phyllis Reed, European bond strategist at BZW. It would open up questions about conversion on a 1:1 basis with the new currency, the euro, and could lead some to believe the single currency would become a dead issue.

"Investors should continue to steer clear of the Ecu market altogether," she says, but adds: "The longer you move down the yield curve, the more you increase the likelihood that, in the end, you will be paid back in hard currency rather than the present private

You have a better chance of Ecu, a currency backed effectively by nobody."

A two-tier market has developed, she says, with issues that redeem in Ecu because they expire before 1999 trading cheaper than those maturing after 1999 and currently due to be redeemed in euro.

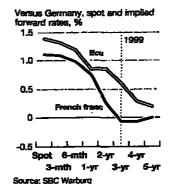
There is a difference of almost 30 basis points in the spread over German paper between pre and post 1999 Ecu bonds. A delay to Emu would mean some post-1999 bonds being redeemed in Ecu, which would be less attractive to investors than euro.

Thus Ms Reed recommends holders of 2001 Ecu paper expecting it to be redeemed in euro to move out along the curve, at least past 2002. However, Ecu bonds may yet

deliver a bonus. First, the actual Ecu is about 3 per cent cheaper than its theoretical equivalent, making the bonds cheaper to buy.

Second, if the euro arrives without the weaker components of the Ecu, a 1:1 conversion rate would result in Ecu bonds being redeemed in a stronger currency than they just which countries join.

1-yr swap spreads



were purchased in because it would contain a greater D-Mark weighting.

But good news for investors has another side: borrowers face repayment in a stronger currency, which may explain the shrinking size of the market. In the past two years redemptions exceeded issuance by Ecu5bn, and in 1996 Ecul6.5bn will redeem, according to Paribas Capital Markets.

Much hangs on the likelihood of Emu, therefore, and

"Despite the recent negative publicity there are still a number of people who believe that the politicians might get it pushed through," said Mr Garry Jones, head of global bond strategy at Paribas.

Market pricing would seem to support this view. Mr Steven Major, head of bond research at Crédit Lyonnais in Paris, said: "I don't think people realise just how much the market is expecting a currency union between France and Germany. Current pricing of the backmonth Pibor and euro D-Mark contracts is discounting early monetary union between Germany and France."

Over at SBC Warburg, Mr John Hall, head of European economic research, points to the one-year swap spreads (see chart), which show convergence between Germany and France. But if market pricing suggests convergence between France and Germany, why is there such a disparity between the Ecu and Germany?

He says: "Something is priced in. The reason the French curve does better is because the market believes

TO SAVE ALL

THESE TREES WE '

DOWN THIS ONE.

• HELP CHOP

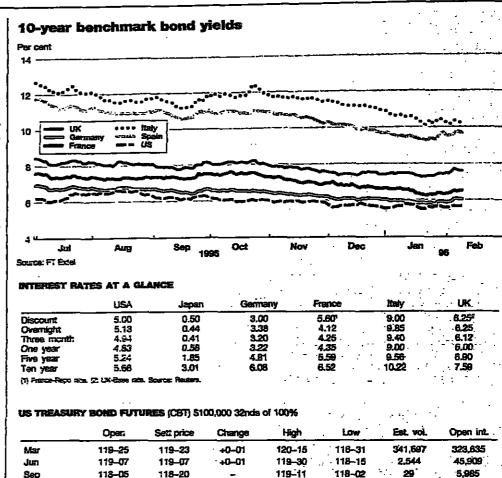
that even if Emu doesn't happen. French rates will fall." But he sounds a note of warning: "What is very clear from these charts is that the market is very exposed to disappointment on Emu, and a postponement would threaten the market unless it was replaced with a very credible

Emu process. "We are very sceptical that if there is a postponement, they can convince the markets that the delayed but renewed Emu process would be credible."

The recent talk of a delay to Emu has focused attention on the Ecu, and the yield spread over 10-year bunds has narrowed from 89 to 81 basis points in the past week. Mr Jones at Paribas believes there may have been a change to investor perceptions.

There are not too many Ecu bonds out there and with the redemptions due, Ecu assets will become rarer. Last week we saw the volume of Ecu trading way up on the volumes we were seeing in the fourth quarter of last year," he says.

Martin Brice



### February 1996 This announcement appears as a matter of record only. ORKLA ASA USD 600,000,000 **Multi-Currency Revolving Credit and Guaranty Facility** Deutsche Bank Luxembourg S.A. Union Bank of Switzerland Chemical Bank Norge AS Christiania Bank og Kreditkasse Commerzbank Aktienceselischaft Deutsche Bank Luxembourg S.A. The Fuji Bank, Limited Union Bank of Switzerland Banque Nationale de Paris SBC Warburg The Sumitomo Bank, Limited USD 300,000,000 Funding provided by Elesportfinans as

#### US\$460,000,000 Mandatorily Convertible Guaranteed Bonds issued by Henderson Capital International Limited

guaranteed by Henderson Land Development Company Limited and convertible into shares of Henderson China Holdings Limited (the "Bonds")

Condition 6(a) of the terms and conditions of the Bonds (the "Conditions") states that it was the intention, at the time of the issue of the Bonds, of Henderson Land Development Company Limited ("Henderson Land") to cause Henderson China Holdings Limited, ("Henderson China") to effect an Initial public offering (IPO") of shares of Henderson China (the "Shares") on or before 27th October 1996. Terms defined in the Conditions bear the same

Notice is hereby given in accordance with Condition 18 that Henderson Land has today announced a proposal to effect an IPO of the Shares, which are intended to be listed on The Stock Exchange of Hong Kong Limited. Further Information about the IPO is set out in a circular to shareholders of Henderson Land dated 12 February 1996, copies of which are available for inspection at the offices of First Trust of New York, National Association as registrar and principal conversion and transfer agent at its office at 100 Walf Street, Suite 1800, New York, NY 10005, Morgan Guaranty Trust Company of New York as conversion and transfer agent at its office at 50 Victoria Embankment, London, EC4 QJP and Banque Parlbas Luxembourg as conversion and transfer agent at its office at 10A Boulevard Royal L-2093 Luxembourg.

If the IPO proceeds, a further notice indicating the consequences of the IPO for bondholders, as required by Condition 7(a), will be published in due course.

Bondholders should note that the terms of the IPO have yet to be finalised and that the IPO may not proceed. The CUSIP numbers of the bonds are G4398KAA00 (Unrestricted Bonds) and 424730AA7 (Restricted Bonds). The Common Code number of the Unrestricted Bonds is 4670515. The ISIN numbers of the Bonds are USG4396KAA00 (Unrestricted Bonds) and US424730AA72 (Restricted Bonds).

Henderson Capital International Limited

12th February 1996

DOWN THIS ONE. Tropical hardwood trees are more valuable to loggers than other trees in the logges have no quales about destroying So a WWF project in Costa Rica is researching ways of felling a tree without bringing down several others around 11. e pada through the succounding trees. If the minforests are used wisely, they can be used forever. Help WWF prove this in minforests mound the world, by wising to the Membership Officer at the ((4) World Wide Fund For Nature

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### International bonds

# Zloty issues given a warm welcome

exposure to Poland's economic boom, the zloty has become the latest eastern European currency through which borrowers can tap the eurobond mar-

The four zloty bond issues which have surfaced in the last two weeks offer investors the high yields available on domestic Polish securities, with the added comfort of being clearable through Euroclear and Cedel and carrying a much lower credit risk than Polish government debt.

Since the zloty is not yet fully convertible, the bonds' coupons and principal payments are denominated in US dollars. Apart from that, however, they behave exactly like zloty-denominated securities, tracking the domestic T-bill market, which has staged a smart rally in the last two months, while exposing investors outright to the zloty.

The European Bank for Reconstruction and Development was the first foreign currency - and that's compen-

Spurred by international issuer to raise Polish zloty in investors' desire for greater late January with \$40m of one year bonds paying a coupon of 20½ per cent, some 150 basis points below the coupon on Polish one-year T-bills at that

> "By issuing bonds that can be settled through the [US Depository Trust Corporation] Cedel and Euroclear where investors take only a currency risk and no settlement or credit risks, we were able to issue at an interest rate level well below Polish T-bills and were able to get very good sub-Libor funding," says Mr Marcus Fedder, the EBRD's deputy

Treasurer. While the EBRD's issue was driven by arbitrage, it also brought new investors to the Polish market, he says. "Emerging-market funds can and do - buy government T-bills, but our issue opened the market to investors who cannot take Poland's credit or settlement risk. We provide a triple-A rating and safe settlement, and the only risk is the

T-Bill rates

sated by the high coupon." Inspired by the success of the EBRD's offering, ING Bank issued \$50m of 20% per cent zloty-linked bonds and Midland Bank sold \$25m of 20 per cent bonds last week, both with maturities of one year. The International Finance Corporation ventured further along the yield curve, issuing ZI 100m of 181/2 per cent two-year bonds.

The issues have received a warm welcome from a wide

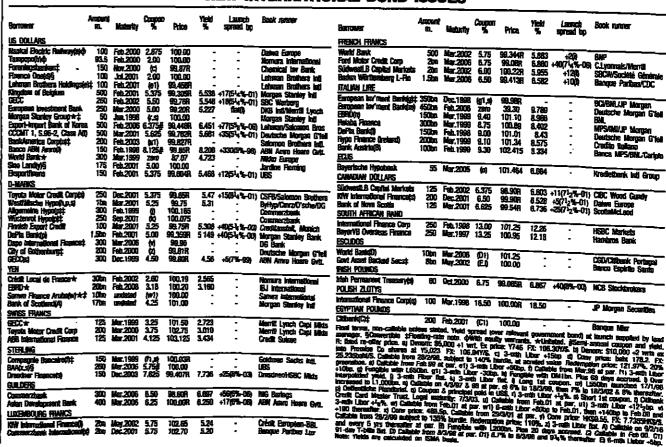
tors keen on the hefty coupons corporates who have interests in eastern Europe and are familiar with managing currency risks, emerging-market funds and fixed-income funds looking for extra yield.

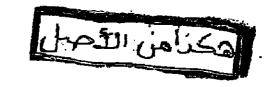
While the shallow zloty swap market is likely to prevent an explosion of supply, bankers say the positive economic environment will fuel continued investor demand, which in turn should encourage more eurobond issuance.

Poland's policy of controlled zloty devaluation means high double-digit coupons on these bonds may be eroded by currency losses. But the country's trade surplus and significant capital inflows should continue supporting the currency as they did in 1995, with only a gradual, small devaluation during the year likely due to inflation, predict economists at Chemical Bank. They expect the zloty to slip by 9 to 10% per cent against the dollar in 1996.

Conner Middelmann

#### **NEW INTERNATIONAL BOND ISSUES**





#### **EQUITY MARKETS:** This Week

Source: FT Enter

### Wall St starts the week in

**NEW YORK** 

The equity market starts the week in tricky territory. It is only three months since the Dow went through 5,000, and already it is 10 per cent higher at 5,500. The market went up 3 per cent last

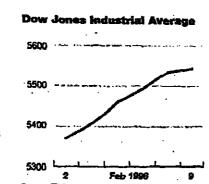
tricky territory

week alone. Last week's Treasury auction - the biggest in history - produced the lowest yield on the benchmark 30-year long bond since the series started in

If the bond market is counting on

recession, so much the worse for corporate earnings. Indeed, the strength of the two markets may be reaching the point where both cannot be right. The picture of the real economy is especially murky. The sharp slowdown in some sectors at the end of last year and the reduction of inventories may have been reversed, but the severe

weather early this year has made it



Tony Jackson

This week will bring some relevant data. The Philadelphia survey on the business outlook, out on Thursday, is likely to show further weakening of business confidence.

The survey will be of especial interest since other data this week - industrial production, factory orders and business inventories - are out of date because of the government shutdown.

Equally relevant will be any comments on current trading by companies reporting on the fourth quarter; but the bulk of the results season is already over.

# Investors to

LONDON

### focus on first annual results

The first notable announcements of the results season are likely to grab investors' attention this week. especially as a number of profit warnings have caused concern about the rate of earnings growth. The PT-SE 100 index fell 1.7 per cent last week. while Wall Street was recording repeated all-time highs.

Leading companies reporting this week include BP, Reuters, Shell, Hanson, Lloyds Abbey Life and Lloyds TSB. The figures themselves will be of great interest, but even more so the statements on current trading. On the economic front, the market

will have to absorb the normal mid-month deluge of data, notably producer prices today, unemployment and average earnings on Wednesday, retail prices on Thursday and the public sector borrowing requirement on Friday. Wednesday also sees the

### FT-SE-A All-Share index 1.840 1.835

Philip Coggan

publication of the Bank of England's quarterly bulletin on inflation.

Feb 1996

The market's recent tendency has been to welcome weak economic data as increasing the chance of an interest rate cut. But it may be reaching the point when it starts to worry more about the likelihood of recession and the effect on corporate profits.

Publication of the Scott report into the sale of arms to Iraq may cause some itters. The market still hopes the Conservative government can last into 1997; signs of an early election would not be taken well.

HK\$5.3bn placement by

which in the past has

Cheung Kong, the propert

developer controlled by Li

Ka-shing. Mr Li's cash raising,

coincided with market peaks,

The wave of warrant issues

merchant bankers reckon there

saw the market trade lower

from Wednesday to Friday.

intensified last week, and

is still appetite for these

Speculative stocks have

writes Emiko Terazono.

one-line classified

dominated trading recently.

advertisements have appeared

in some of the morning dailies.

The advertisements, thought

to be codes placed by a stock

speculator who moved share

prices in the late 1980s, have

among investors. While the

publications denying

involvement, the rally in

sourred a flurry of excitement

stock speculator has written to

leading newspapers and other

speculative stocks is likely to

and a series of mysterious

instruments.

TOKYO

#### International offerings

# Prospects brighten for Chinese H share offerings

Improving sentiment towards — cent to HK\$1.39, and Peregrine China and the weight of overseas money washing into the Asia Pacific region are set to revive the subdued market for international offerings from China.

The consensus among bankers in Hong Kong is that four issues will be launched by summer, with smaller capital raisings from companies in government-supported sectors likely to lead the pack.

"A lot of uncertainties surrounding China have been removed, especially on import tariffs and the austerity measures, which will ease this vear. This will enhance the prospects for China enterprises, and it will become far easier for them to list," said Mr Peter So, assistant director with Schroder Securities Asia.

China's overseas equity raising programme began with a bang in July 1993 when Tsing-tao Brewery issued the first H shares, the name given to the Hong Kong-listed stock of former Chinese state enterprises. Huge sacks were used to cart off the applications and Tsingtao's HK\$889m offering was

110.5 times oversubscribed. But by last year the positive sentiment had fizzled out, and just three H share issues made it to market, reflecting investors' growing disenchantment with the macroeconomic environment in China and the quality of the companies coming to market. Poor disclosure and news that some companies were channelling the listing

proceeds into non-core activities also annoved investors. This year has already seen one issue, from Jingwei Textile Machinery. The stock was one of the cheapest offerings to date: the HK\$1.29 a share price tag translates into a price-earnings multiple of just 7.2 times 1995 earnings and 6.3 times this year's earnings. This compares with the 17.9 times prospective earnings multiple achieved by Tsingtao Brewery.

Jingwei, sponsored by Peregrine Capital, issued 160m shares - 42.11 per cent of the enlarged capital - to raise HK\$201.6m. When trading kicked off earlier this month,

the share price rose 7.75 per

exercised part of its over-allotment option. The issue was seen as an encouraging sign for the backlog of some 35 H share issues.

Among issues tipped to follow Jingwei in the next six months are Guangdong Fotao, a ceramics manufacturer which has prepared all its paperwork and would be in a position to move ahead quickly.

The HK\$500m issue was shelved in November as shares in Chinese companies sank to record lows amid concerns that axed subsidies and import tariff reductions would create a more competitive marketplace. Mr Chris Yau, director of China Research, says the emphasis will be on good quality companies, since foreign investors, having been bitten

previous issues, are set to be doubly selective. Companies in industries which the Beijing government has pledged to support energy, infrastructure, materials and transport - should also

receive a positive response. In this category, those likely to be at the front of the queue include Guangzhou-Shenzhen Railway, which is understood to have awarded the mandate

to Bear Stearns. Some bankers reckon the much-delayed power issues. including Shandong Interna-tional Power Development (SIPD), could meet a more sympathetic reception this year as falling inflation in China will mean improved real rates of return on projects.

SIPD's HK\$2.7bn global offering, co-sponsored by Goldman Sachs and Peregrine Capital. has been on the back-burner since November 1994.

An imprecise edict from Bejing curtailing the rate of return available to foreigners on power projects conspired with concerns over foreign exchange guarantees to cloud the sector and chase off international investors.

Protracted talks with the Chinese government on tariff agreements has also haunted Datang Power, estimated to be seeking HK\$500m and sponsored by Salomon Brothers.

Mr So adds that China's demand for power will continue to grow, especially as the government expands the economy and seeks to improve the living standards.

Regulations governing the industry also appear to be becoming more clear-cut. "It is quite likely they will come to market this year because if the liquidity that is in the market continues to grow, there will he demand for the power

industry," he says.

Consumer-related issues are also likely to be popular. Panda Electronics, which has been shunted around a number of merchant banks, is now being arranged by Peregrine Capital and is understood to be raising between HK\$400m and HK\$500m.

More complex issues - for companies bundled up with a raft of assets and welfare-type activities to be stripped out or restructured prior to listing -may well be held in abeyance for another year, bankers say.

The two airlines, China Eastern and China Southern, were originally bound for Wall Street. But the unimpressive performance and volumes of other China stocks traded there means they are now looking at dual listings.

Mr Alex Ko, a director with Peregrine Capital, reckons the trend for all listings is for an international placement with a Hong Kong public offering.

reckon improved sentiment towards China will help bloat p/e multiples, but they are wary of a blanket approach. Mark Hantho, head of equity capital markets at Morgan Stanley Asia, points to the 15 per cent yearto-date rise in the index tracking the performance of the A share companies and the 10 per cent increase in the index for their China-listed counterparts, the hard-currency B shares.

China itself, which has two B share markets in Shanghai and Shenzhen, is likely to witness more activity this year, at least partially as a result of government efforts to support the depressed markets and improve their credibility.

Louise Lucas

#### OTHER MARKETS

difficult to be sure.

#### MILAN

The Italian stock market reaches an important milestone on Friday when it moves to full five-day cash settlement on all its approximately 320 quoted

stocks, writes John Simkins, It marks the end of a process which began in January 1994 with 53 of the least liquid and least traded stocks and is in line with the worldwide trend for short settlement periods. Hitherto, settlement in Milan

has been at the end of the stock exchange calendar month. The intention is to make the

market more transparent and

trading less risky.

As the smooth functioning of a stock lending market is seen as crucial to the success of five-day settlement, the exchange has endeavoured to provide traders with the requisite tool kit, such as a framework of stock lending

contracts. Five days has also been the period favoured by the exchange for the introduction on February 19 of options on individual stocks, starting with Eni, Generali, Fiat. Stet, Tim and Telecom. Eventually options will be traded on all stocks in the Mib 30 index.

#### ZURICH

There is little in the way of corporate news scheduled for this week to pull the market out of its volatile consolidation of last year's sharp rise.

Instead, investors will have to wait until the end of next week for full-year figures from UBS, which may also provide a brief update on the state of play of the bank's battle with its dissident shareholder, Mr Martin Ebner.

Blue chips have been out of favour in recent sessions. Attention has turned to mid-cap stocks, with domestic and foreign brokers issuing a series of recommendations. Among the stocks drawing attention have been Kuoni, the travel operator, which has risen by 27 since the beginning of December, Adia, the temporary employment agency, up 27 per cent since mid-January, and Danzas, the freight forwarding company

up 20 per cent since the start of this month Smaller but still substantial rises have been seen in Keramic, the building materials and porcelain group, almost 8 per cent higher since mid-January; and Schindler, the lifts and elevator maker. which has risen more than 10 per cent this year.

The Financial Times plans to

publish a Survey on

Latin

American

Finance &

Investment

on Monday, March 25.

It is not yet clear whether the Mexican financial crisis represents a

short-term disappointment or a more fundamental setback to the

region's long-term growth prospects. This survey will review the issues

and policy responses to the crisis, and the prospects for foreign

For more information on advertising opportunities in this survey,

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#### **PARIS**

The equity market fell back slowly but steadily during the 15 basis point cut in the intervention rate on Thursday. bringing it down to its lowest level in two decades, failed to

While there has been some disappointing corporate news. hardly a surprise to investors been triggered more by a desire to take profits. The CAC-40 reached an 18-month high of 2,024 at the start of the month, since when it has been

Results this week include increase in the bank's net which is due to publish its 1995 report on Thursday, for which

course of last week, and even a enliven sentiment.

the market's fall seems to have back-pedalling.

Bancaire tomorrow, with estimates of a 10 per cent. profit, and Rousell Uclaf, the consensus is for a fall in earnings.

#### AMSTERDAM

Corporate results will continue to provide the motive force for equities this week, with figures due from PolyGram on Wednesday and Royal Dutch and Philips on Thursday. UBS notes that PolyGram has already announced flat 1995 profits, because of a

doubling of losses in the film division. But it expects the company to be positive on the 1996 outlook, given its strong release schedule in music. Royal Dutch's full-year figure is expected to indicate a

23 per cent fall in the fourth quarter, to include restructuring charges for head office reorganisation and the sale of Turkish assets.

UBS expects Philips full-year figures will imply a rise in fourth quarter operating profit of 7.7 per cent. It forecasts that components will again be the strong driver behind profit growth, with an estimated 33 per cent fourth-quarter rise.

#### **HONG KONG**

The market is in for a quieter week, with retail activity drying up ahead of the lunar new year holiday from next Monday.

Banking stocks are likely to remain in the limelight following the strong performance revealed by Bank of East Asia, the colony's third biggest listed bank, last Thursday, HSBC and Hang Seng Bank, the two biggest banks, report their finals at the end of the month.

Brokers expect more warrant issues and cash raisings following last Tuesday's

continue in the near term. Mr Peter Tasker, strategist at Kleinwort Benson, sees the spate of events as "the end of the long process of asset deflation Compiled by Michael Morgan

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#### LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED

(Registration number 57/02788/06) orporated in the Republic of South Africa) ("Liberty Life")

CAPITALISATION SHARE AWARD AND RIGHT OF ELECTION TO RECEIVE A 29,6% INCREASED FINAL CASH DIVIDEND OF 140 CENTS PER SHARE FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 1995

The directors have resolved to award capitalisation shares to ordinary shareholders of Liberty Life who are registered in the books of the company at the close of business on Friday, 23 February 1996. Shareholders are entitled and will be given the opportunity to decline the award of capitalisation shares in respect of all or any part of their shareholding and instead may elect to receive a final cash dividend in respect of the year ended 31 December 1995 of 140 cents 1995. The property of the part of the year ended 31 December 1995 of 140 cents and the part of the year ended 31 December 1995 of 140 cents and the part of the year ended 31 December 1995 of 140 cents and the part of the year ended 31 December 1995 of 140 cents and the part of the year ended 31 December 1995 of 140 cents and the part of the year ended 31 December 1995 of 140 cents and the part of the year ended 31 December 1995 of 140 cents and the part of the year ended 31 December 1995 of 140 cents and the part of the year ended 31 December 1995 of 140 cents and the year ended 31 December 1995 of 140 cents and the year ended 31 December 1995 of 140 cents and year (1994: 108 cmls) per ordinary share, representing a 29,6% increase over the final cash dividend for 1994. Non-resident shareholders' tax has been abolished in respect of this final dividend and future dividends.

The cash interim and final dividend equivalent announced in respect of the year ended 31 December 1995 amounted in aggregate to 256 cents (1994: 204 cents) per ordinary share, representing an increase of 25.5% over the previous year.

The number of capitalisation shares to which shareholders are entitled will be determined by the ratio that 140 cents multiplied by 1,05 bears to the closing price of the company's ordinary shares on The Johannesburg Stock Exchange ("the JSE") at the close of business on 22 March 1996 averaged with the closing prices on the three business days prior to that date. This more equitable method of calculation of the applicable capitalisation shares differs from the practice previously adopted.

To the extent that capitalisation shares are issued in the above circumstances, this will reduce Liberty Life's liability in respect of Secondary Tax on Companies and will benefit shareholders pro-rata. The new ordinary Liberty Life shares which will be issued pursuant to the

The new critical Liberty Liberty Libe states which will be issued pursuant to the capitalisation share award will be issued as fully paid up by way of a capitalisation of part of Liberty Life's distributable reserves. Subject to the approval of the JSE and the London Stock Exchange, a listing for the new Liberty Life ordinary shares to be issued pursuant to the capitalisation share award will commence on Wednesday, 3 April 1996, Documentation dealing with the capitalisation share award and the final cash dividend election form will be posted to shareholders on or award and the final cash dividend election form will be posted to shareholders on or about Thursday, 29 February 1996. In order to be valid, completed election forms will need to be received by the company's transfer secretaries, by no later than Friday, 22 March 1996. However, if the form of election is received by not later than 29 March 1996 and the envelope is postmarked 22 March 1996 or a date earlier than that date, the company will accept such form of election. Should such election not be timeously received, Liberty Life will automatically issue capitalisation shares to all relevant shareholders concerned.

All fractions of new capitalisation shares awarded will be aggregated and sold on the JSE for the benefit of the relevant shareholders.

It is expected that share certificates in respect of the new Liberty Life ordinary shares and, if applicable, cheques in respect of the final cash dividend and fractions will be posted to shareholders on or about Wednesday, 3 April 1996. The rull prelimmary results for the 1995 financial year will be announced on or about 14 March 1996.

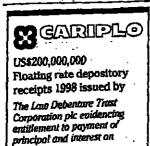
On behalf of the board

8 February 1996

#### FT Surveys

please contact:

investment in Latin America.



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Notice is hereby given that the receipts will bear interest at 5.67578% per annum from 9 February 1996 to 9 May 1996 interest payable on 9 May 1996 will amount to US\$141,89 per US\$10,000 and US\$1,418.95 per US\$100,000 receipts.

Agent: Morgan Guaranty Trust Company **JPMorgan** 



Development Yen 50,000,000,000

Floating rate notes due 9th February 2001

Notice is hereby given that the notes will bear interest at 0.8625% per annum from 9 February 1996 to 9 August 1996. Interest payable 9 August 1996 will amount to Yen43,604 per Yen10,000,000

Agent Morgan Guaranty Trust Company **JPMorgan** 



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In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 9th May, 1996 has been fuxed at accruing for such three month period will be U.S. \$130.02 per U.S. \$10,000 Bearer Note, and U.S. \$1,300.20 per U.S. \$10,000 Bearer Note, on 9th May, 1990 against presentation of Coupon No. 14. Union Bank of Switzerland London Branch Agent Bank 7th February, 1996

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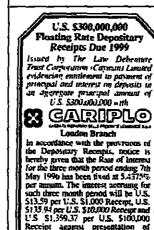
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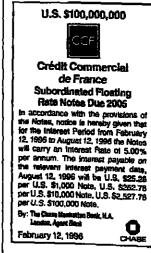
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The Fast National Bank of Chicago



Italian Lita 250 Billion Floating Rate Notes Due 2000

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> SANPAOLO BANK S.A. Agent Bank



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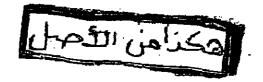
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#### **WORLD STOCK MARKETS**



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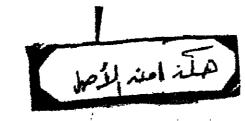
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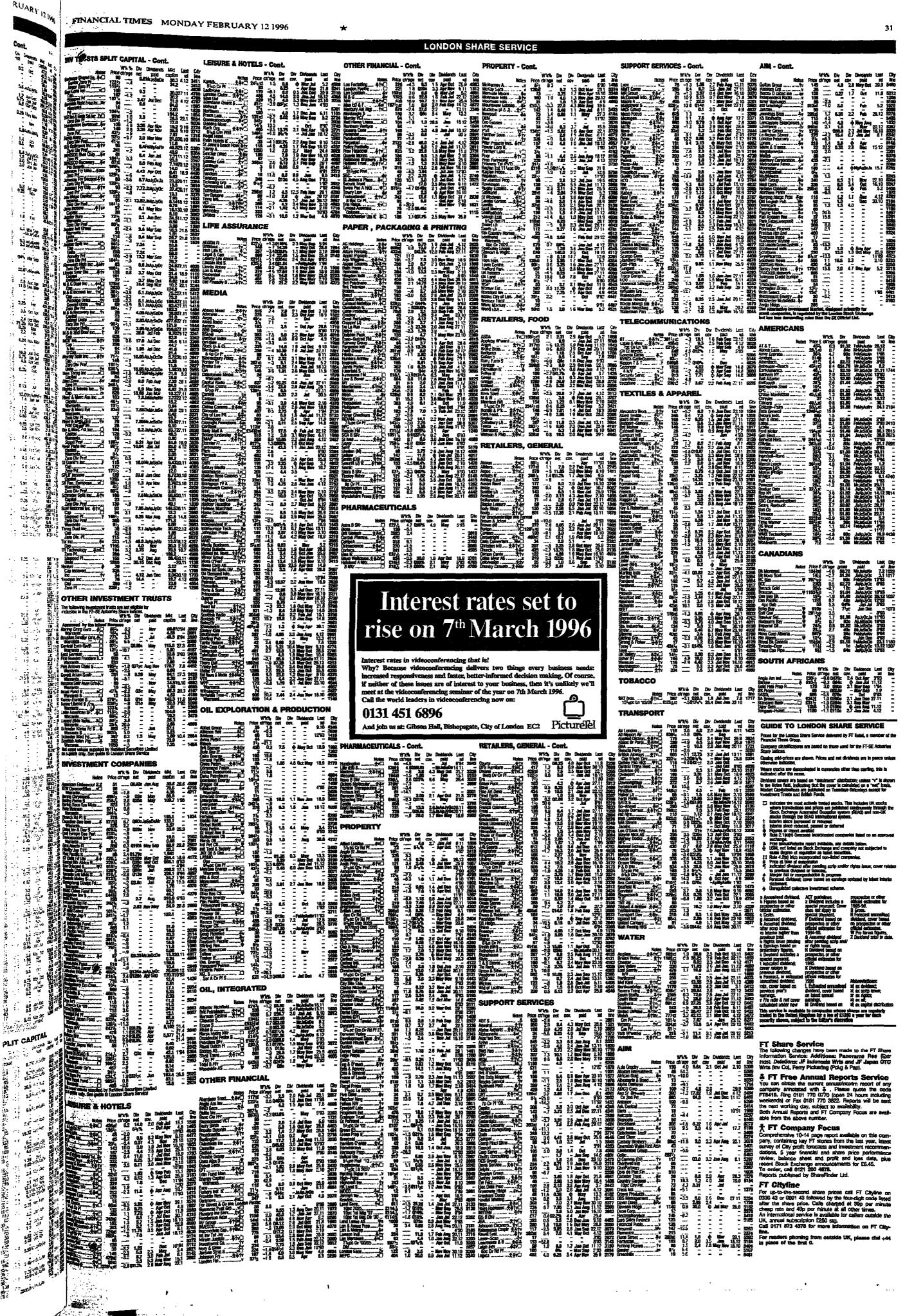
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#### MONDAY

Major makes !RA statement

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In the wake of the bomb marking the end of the IRA's ceasefire, John Major, the prime minister, addresses the House of Commons. In Washington, David Trimble, the Ulster Unionist leader, continues meeting senior administration officials in what was to have been an attempt to enlist support for his planned elective process in Northern Ireland. It was Mr Major's need for Unionist support in the Commons that is blamed by Irish nationalists for his reaction to the Mitchell report and his opting for the election plan. Northern Ireland's constitutional parties are in intensive dialogue.

Republican caucuses in Iowa The Iowa Republican caucuses mark the real beginning of the 1996 US presidential election campaign. Unlike in the Louisiana cancus last week, all the party's candidates are present, with a finish in the top three considered essential for survival into the primaries proper. Bob Dole, the Senate majority leader from neighbouring Kansas, should win but is being pressed hard by publisher Steve Forbes's saturation commercial blitz. Pat Buchanan, Phil Gramm and Lamar Alexander hope to stay close. However. Iowa is not an infallible guide to the

#### China-Vietnam trains restart



The first trains linking Vietnam and China in 17 years head for the Sino-Vietnamese border. The link, which was severed when a brief border war broke out in 1979, is not

complete: passengers from Hanoi or Beijing will have to disembark and walk a few hundred yards over the frontier before resuming their journey. This is because of a minor border dispute and a difference between the train gauges. China hopes for greater access to Vietnam's market of 73m people, while Vietnam seeks to neutralise any strategic threat from its mighty neighbour by engaging it commercially. Travelling time between the capitals will be 58 hours.

#### Holbrook battles in Bosnia

In what may be his last Bosnia mission, the US special envoy Richard Holbrook is due to continue his attempts to fry to defuse the escalating dispute over the detention of Serb soldiers by the Bosnian government. Mr Holbrook, the main architect of the Dayton peace agreement. is to follow up yesterday's meeting in Sarajevo with top-level talks in Zagreb and Belgrade. He was sent by the US secretary of state. Warren Christopher, who said the mission would send a strong signal that the Dayton accord should be fully implemented. The Bosnian Serbs have broken off relations with the Nato-led peace force, Ifor, for as long as the soldiers are detained. Mr Holbrook is to retire iro

team headed by Lee Sands, the assistant counterparts, who will be led by Zhang Yuejiao, of the Ministry of Foreign Trade over Chinese progress towards stamping out the rampant counterfeiting of Little progress is expected. The US is greater efforts to implement the agreement, which was made a year ago.

#### Czech steel rescue effort

A final attempt is made to save the Czech lic's financially stricken Poldi Ocel. one of its three main steel plants. Poldi's services such as tele-shopping. The



In London, the long-awaited report by Sir Richard Scott on the sale of arms to Iraq is released

#### Turkmenistan-Turkey taiks

Hones of reviving a delayed deal to supply gas through a pipeline from Turkmenistan to Turkey are behind a visit to Ankara by the president of Turkmenistan, Saparmurat Niyazov. Construction of the pipeline through Iran from Turkmenistan. which has the second largest gas reserves in the world after Russia, failed to start last May because of financial difficulties.

World indoor championships, singles and pairs, Preston, England (to Feb 25).

Public holidays Cameroon, Japan (National Foundation Day), USA (several states).

#### TUESDAY

China anti-piracy dispute

The implementation of an anti-piracy agreement in China will be discussed by a US trade representative, and their Chinese and Economic Co-operation. The talks will be difficult because of sharp disagreement entertainment and information products. threatening sanctions unless China makes

majority owner, Vladimir Stehlik, is discussing a rescue package with the Skoda engineering group that could see Mr Stehlik forfeit his shareholding to Skoda. Poldi has been in difficulties since Mr Stehlik bought his stake from the government about two years ago.

#### Yeltsin election declaration



President Boris Yeltsin is expected to fly to his home city of Ekaterinburg, where it is widely anticipated that in two days' time be will declare he is to run again for the

14

US

Russian presidency, the election for which is on June 12. Mr Yeltsin, 65, whose popularity has plummeted following the Chechen conflict and because of his government's tough economic policies. would appear to face an upbill struggle against a resurgent Communist party led by Gennady Zvuganov - who is expected to be nominated the party's presidential candidate at a congress which also meets on Thursday. Mr Yeltsin, who has been in poor health and has been abandoned by many former allies, may yet decide not to run, heeding his wife's counsel.

#### WEDNESDAY

MEPs debate television The European parliament debates

controversial amendments to the television without frontiers directive, which aims to tighten restrictions drastically on what European broadcasters can transmit a

directive would also require theme channels, such as cartoon channels, to invest part of their budgets in European productions.

#### **UK** inflation report

The Bank of England publishes its latest quarterly assessment of the government's anti-inflation policy. Financial markets will scrutinise the report for evidence that the Bank was overruled when Kenneth Clarke, the chancellor, cut interest rates for the second month running in January. The Bank will indicate whether it expects the government to achieve its inflation target in two years' time, providing a clue as to its likely attitude to future moves in

#### Saleroom



The most important single-owner collection of carpets, tapestries and textiles to reach the market in 50 years begins to be dispersed at Christie's in London. The

descendants of Lehmann Bernheimer, who started in the antiques business in Munich in 1864, are disposing of thousands of woven artifacts, many of which were acquired from European nobles in the 19th century. Among the highlights in the first sale are a 15th-century triple medallion Mamluk carpet, which could make £450,000, and a 17th-century Persian "Polonaise" silk carpet from the royal workshop at Isfahan, which carries an estimate of up to £350,000.

#### **Business Travel '96**

Europe's only exhibition dedicated to Design Centre, London (to Feb 16).

Dec durable shioments

Start of the World Cup: England v New Zealand, Ahmedabad, India.

#### FT Surveys

European Postal Systems. Conferences, Exhibitions and Travel.

#### THURSDAY

#### Scott report published

The three-year wait for the conclusions of Sir Richard Scott's inquiry into the UK's arms-for-Iraq affair ends at 3.30pm. The report will judge whether ministers, who relaxed British export guidelines to enable companies to sell arms to Iraq in 1988, misled parliament by failing to inform the House of Commons of the decision and then suppressed information to save embarrassment.

The Labour party opposition is after scalps, with William Waldegrave, the chief secretary to the Treasury, and Sir Nicholas Lyell, the attorney general. looking the most vulnerable. However, the government will not want to sacrifice anyone - leaving senior civil servants to answer the issues.

#### Alert at Bangladesh polis

Thousands of Bangladeshi troops will be at polling booths for what could prove the country's most tense and violent election day since its liberation from Pakistan in 1971. The poll has been delayed twice in attempts to reconcile bitter differences between Khaleda Zia's Bangladesh Nationalist Party, which took power in 1991, and the three main opposition parties led by Sheik Hasina's Awami League. The opposition has vowed to boycott and oppose the poll, claiming "free and fair" elections will be possible only if Mrs Zia stands down in favour of a neutral caretaker government.

#### Fameli bid decision

A meeting in Wetherby, west Yorkshire, will decide the fate of the ambitious £1.8bn takeover bid by Farnell Electronic for Premier Industrial Corporation of the US, which would create the third largest electronic component distributor in the world. The deal, which involves the UK group issuing shares and taking on a lot of debt, has split shareholders.

#### Carnival in Rhineland

Carnival in the Cologne area moves into top gear as offices close for Weiberfastnacht, the ladies day on which maidens and matrons take to the streets with a licence to prey on men, normally by chopping off their neck ties. Festivities go on in the Rhineland until Ash Wednesday.

#### FRIDAY 16

#### Former Italian PMs on trial

Hearings resume in Milan in the trial of Silvio Berlusconi, the media magnate and former Italian prime minister, who is among 11 defendants accused of bribing financial police. In Palermo, meanwhile, the trial resumes of another former prime Civilia Ar of having been a protector of the mafia.

unch

#### Mastering Management

The FT's 20-part series commues in the UK edition with part 15. Non-UK readers can take out a subscription. Contact: PO Box 384, Sutton, Surrey, SM1 4XE, UK. Tel +44 181 770 9772, Fax: +44 181 643 7330.

#### FT Survey European Stock Markets.

#### Public holidays

Bangladesh, Ivory Coast, Lithuania, Taiwan (stock market, to Feb 17).

#### SATURDAY

#### Clinton in New Hampshire

President Bill Clinton joins the Republicar field in New Hampshire, ahead of the Feb 20 primary. He is unchallenged in the state where he finished a strong second in 1992.

Rugby union Five nations' championship: France v Ireland, Paris; Wales v Scotland, Cardiff.

Public holidays Bangladesh, Mauritius, Nepal, Sri Lanka.

SUNDAY 18

Poles vote on privatisation



Poles vote in a referendum which could open the wa to mass tandouts of state assets. The referendum, which is backed by Lech-Walesa and the rightwing opposition, asks if

people want to be given shares in state property. The opposition argues that the government's privatisation policies serve merely to enrich the former Communist nomenklatura. Polls suggest the turnout could be lower than the 50 per cent level required. This would be a relief to the government, which says there are too few assets to go around and that they should be floated on the stock exchange.

#### Kohl visits Russia

Germany's chancellor, Helmut Kohl, flies to Russia for a three-day visit to Moscow and St Petersburg at the invitation of President Boris Yeltsin. The German leader will discuss economic co-operation and try to soften Russian hostility toward the planned expansion of Nato to include former Communist countries from eastern and central Europe. Mr Kohl is anxious that Nato enlargement should not become an issue in the Russian presidential election campaign. His visit follows a three-day visit to Moscow by the French prime minister, Alain Juppe, who meets Mr Kohl at the start of the week.

Fax: (+44) (0)171 873 3194.

#### Other economic news

Febuary 21.

Monday: UK producer price data is expected to show a smaller rise both in manufacturers' costs and in factory gate prices last month than in December.

Tuesday: The Federal Reserve Bank of Atlanta will publish its measure of business activity. The British Retail Consortium's sales monitor will provide a further indication of trading conditions on UK high streets last month. Wednesday: UK labour market statistics are expected to show another drop in unem-

ployment last month. But annual average earnings

growth is thought to have picked up in December. US December import prices are

thought to have risen more than export prices. Thursday: Economists expect UK retail prices to have fallen last month. Japanese industrial production is thought to have risen again in December. US factory orders are predicted to have increased

Friday: Figures on UK public sector borrowing are expected to show a repayment in January. US industrial production is forecast to have fallen last month, easing capacity con-

#### Statistics to be released this week

Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Germany	Jan final cost of living, West"	-	0.3%
Feb 12	Germany	Jan final cost of living, West"	-	1.5%
	Germany	Jan fnl cost of living, pan-Germany	-	0.3%
	Germany	Jan ful cost of living, pan-Germany	• -	1.8%
	UK	Jan producer price indx input*	0.1%	0.4%
	UΚ	Jan producer price indx input**	4.4%	5.8%
	UK	Jan producer price indx output	0.5%	0.8%
	UK	Jan producer price Indx output**	3.8%	4.3%
	UK	Jan PPI ex-food, drink & tobacco**	3.8%	4.3%
	Spain	Dec producer price indx*	0.2%	-0.2%
Tues	US	4th qtr employ cost indx, civilian***	0.7%	0.6%
Feb 13	US	4th otr employ cost indx, civilian**	-	2.7%
	US	Jan Atlanta Fed Indx	-	-19.9
	Japan	Dec mach orders ex-power/ships*	1.9%	2.1%
	Japan	Dec mach orders ex-power/ships**	9.5%	10.9%
	Spain	Jan consumer price indx*	0.7%	0.3%
Wed	us	Dec export prices	-	-0.2%
Feb 14	US	Dec import prices	-	0.2%
	Japan	Jan Tokyo dept store sales**	-	-1.7%
	UK	Jan unemployment	-5,000	-7,900
	UK	Dec average earnings	3.5%	3.25%
	UK	Dec unit wages 3-month**	4.0%	4.0%
Thur	US	Dec factory orders	0.3%	0.5% est
Feb 15	US	Dec factory inventories	-	0.5% est
	US .	Dec durable orders	0.5%	0.5% est

	US	Feb Philadiphia Fed indx	<u>-</u> .	-18.6
	US	Dec wholesele trade	-	0.4%
•	US	Jan monthly M1	-\$5,4bn	-\$4.2bn
	US	Jan monthly M2	\$15.8bn	\$17 <u>.2</u> bn
	US	Jan monthly M3	\$30.0bn	\$14.400
	US	Initial claims w/e Feb 10	375,000	•.
	Japan	Dec industrial production†		0.8%
	1sbau	Jan overall wholesale price indx*	0.3%	0.0%
	Japan	Jan domestic wholesale price indu	<u></u>	-0.7%
	UK	Jan retail price indx*	-0.3%	0.6%
	UK	Jan retail price mox."	2.9%	3.2%
	UK .	Jan RPI ex-mort'ge int payments**	2.8%	3.0%
Fri	US	Dec construction spending	-0.5%	0.5% est
Feb 16	US	Jan Industrial production	-0.8%	0.1%
	บร	Jan capacity utilisation	81.9%	82.8%
	US	Feb Michigan sentiment prelim		89,3
	US	Nov business Inventories	0.2%	0.7% rev
	UK -	Jan public spend'g borrowing req	-£4.5bn	£1.04bn
During (	he week	1		5.45
	Japan	Jen tracie bal (customs cleared)	\$0.7bn	\$2.9bn
	Gеплапу	Dec retali sales, real**	-1.5%	1.0%
	Germany	Dec retali sales"†	-	2.0%
₩.	Germany	Jan wholesale price indx*	0.2%	0.2%

#### ACROSS

further in December.

- Bound to get away before one's children (9)
   Of clear age but not a wrin-1 Dismissed ruler is shot (5)
  2 Devotee cast it adrift, which
- kie! (5) 9 Lawrence and not a singer (5) 10 Text you sound engineers get from the Bible? (9)
- 11 Just not expensive (10)
  12 Elegance from which I could benefit (4) 14 Loyalist Irishman embraces three people (7)
  15 Guides cried when turned out
- on a back street (7)
  17 Fruit supplier made love to cleaner in some way' (7)
  19 Avoids flights (7) 20 Team returns holding live
- goat (4) 22 Something a man may wear during retirement? (10)
  25 Stress former husband's first
  to get additional rooms (9)
  26 I had backed nothing here (5)
  27 Leaflet of model farm vehicle

is returned (5)

- 14 Well-known pair mention relocation (9)

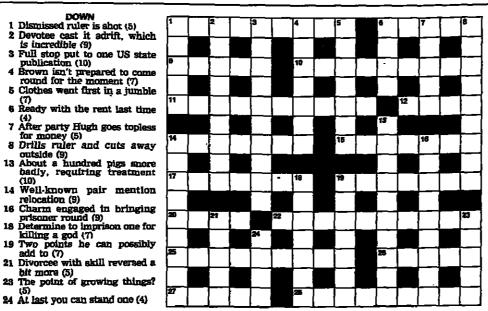
  16 Charm engaged in bringing prisoner round (9)

  18 Determine to imprison one for killing a god (7)

  19 Two points he can possibly add to (7) lacking in popularity (9)
- 28 Always immature yet never 21 Divorcee with skill reversed a bit more (5) 23 The point of growing things? 24 At last you can stand one (4)

add to (7)

is incredible (9)



#### MONDAY PRIZE CROSSWORD No.8,991 Set by GRIFFIN

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vonchers will be awarded. Solutions by Thursday February 22, marked Monday Crossword 8,991 on the envelope, to the Financial Times, 1 Southwark Bridge, London SEI 9HL. Solution on Monday February 26. Please allow 28 days for delivery of prizes.

Name Winners 8,979 Solution 8.979

# A.C. Chitnis, Southampton S.A. Clark, London E16 D.A. Herbert, Glenfield, Leicester A.D. Jones, Loughton, Milton Keynes E.W. Michailef, Balzan, Maltz J.W. Pratt, Newcastle upon Tyne

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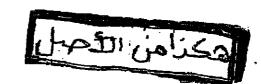
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Sun

#### MANAGEMENT

Bus Company were working on plans for an - ultimately unsuccessful - management buyout of their company in the early 1990s, they used the threat of a takeover by the Stagecoach bus group to impress upon staff the need for cost savings.

Stagecoach, which earlier this month became the first bus company to start running trains on the privatised rail network. has a fearsome reputation in the bus industry for aggressive competition. It also has the dubious honour of baving been the subject of more Monopolies and Mergers Commission investigations than any other com-

The company has prospered in the cut throat climate created by the deregulation of the bus industry outside London in the mid-1980s. Cut-price operators began running clapped-out buses minutes ahead of rival services on the lucrative city centre routes, abandoning evening and weekend

With every prospect of Stagecoach becoming a significant operator of train services it could play an important part in determining the shape of both rail and bus services over the next decade. It has acquired South West Trains and announced its intention of bidding for many of the remaining 22 fran-

Stagecoach was set up in 1980 by Brian Souter, an accountant and son of a bus conductor, and his sister Ann Gloag. It has grown into Britain's largest bus company with turnover of £340m and 13 per cent of the total market

A stock market flotation in 1993 provided the Perth-based company with the means of financing a burst of acquisitions, allowing it to spread its tentacles from Inverness to Brighton. Despite Stagecoach's frequent clashes with the competition authorities there is no sign of the spending spree com-ing to an end. At the end of January it paid £41m for GM Buses South, the south Manchester bus operator.

This rapid expansion has proved controversial, even by the buccaneering standards of the deregulated bus industry. By exploiting a loophole in the regulations, Stage-coach swooped on Darlington, running a free bus service and forcing the town's municipal bus company into liquidation. Smaller bus companies complained to the Commons transport select committee last summer about Stagecoach's bullying tac-

Souter's response to these criticisms has been that only his competitors and the competition authorities have complained and not his customers, who have been given improved bus services. He points to more modern buses - the company has ordered 1,500 new buses in the last four years - and to more frequent services in many previously poorly served areas.

Stagecoach's aggressive approach makes sound commercial sense, according to Peter Huntley, a bus industry analyst with the TAS Partnership. "Your territory is your principal non-financial asset and the only way to keep control of it is to give the impression you will hold on to it vigorously and aggressively. Stagecoach has done just

Just how Stagecoach does operate is demonstrated by the experience of the East London Bus Company which, despite the efforts of its managers, succumbed to a Stagecoach bid in September 1994. Stagecoach also acquired the South East London and Kent bus company (SelKent) as part of the sell-off of the London bus companies.

Many savings had already been made as part of East London's preparations for pristaff, who had previously worked 38 hours a week, were working 42 hours a week for the same wages, and two bus garages had been closed - but Stagecoach pushed for more economies. Two lavers of supervisors were taken out at the company's remaining six garages leading to a further 60 job cuts and subsidiary activiThe aggressive bus group could play a key role in determining the future shape of train services, says Charles Batchelor

# Stagecoach moves on to the rails



ties such as cleaning were contracted out. But what has surprised Roger Bowker. East London's managing director and his three fellow directors, who were all kept on by Stagecoach, was their new owner's willingness to invest. East London had been renting unsuitable offices in the centre of Ilford but was encouraged by Stagecoach to buy smaller, more efficient premises with a small shon front which sells tickets, souvenir T-shirts and mugs, and provides passenger information.

If the buy-out had succeeded it is unlikely that the company would have had the funds to spare for encouraged East London to invest in new vehicles. Twenty-seven new buses were bought last year and a further 26 are on order. Success in bidding for bus routes now depends on being able to offer new

"We didn't know anything about Stage-

coach before but we found that our philosophies were similar," says Bowker. Tough action on costs was accompanied by efforts to retain staff loyalty through a company pension scheme, a profit-sharing arrange ment and a share scheme

Although a Stagecoach director, Brian Cox, is executive chairman of East London, the company's management has a great deal of freedom with day-to-day operations. Stagecoach does not create boards of directors for its individual subsidiaries.

"We have less paperwork to deal with than when we were under London Transfocused on results while LT would want to analyse why we had spent 3s. 6d." Stage-coach draws up its budget plans on three sheets of paper, whereas LT had a one-inch thick book of rules.

Simplicity is the keynote of Stagecoach's

operations. "We started small so we don't have departments to handle matters such as the press or human resources," says Derek Scott, Stagecoach's financial director. Stagecoach's headquarters is a house in

Perth with a staff of 30. Ideally a company of Stagecoach's size should only need 10 people in head office, but the company manages its pensions administration and its insurance scheme in house.

Managing the company's ever-expanding empire is achieved by creating a network of regional centres running several bus companies. East London in liford handles SelKfinance director. "Stagecoach is more manages bus companies in Hampshire, West and East Sussex and Kent. Stagecoach has 10 regional centres for 23 subsidiaries but can probably remove one or two of those, says Scott.

expanded, sometimes by swapping routes not suit a free spirit like Souter.

with another nearby Stagecoach company, to reach an optimum size of between £15m-220m turnover and around 300 buses. "Bigger companies tend to become inefficient while smaller ones cannot spread their overheads far enough," says Scott.

The running costs of new acquisitions are reviewed within the first few weeks. Supply contracts can be renegotiated quite quickly. Stagecoach expects to achieve average savings of 1.5 per cent because of its superior purchasing power on items such as spare parts, tyres and engine components. In the 1980s when Stagecoach was a £5m turnover company it still managed to buy its diesel fuel more cheaply than London Transport, claims Scott, Further savings are achieved by standardising the specification of the new buses.

Stagecoach also has a keen eye for the value of city centre bus depots and office sites. It denies that this is asset-stripping, saying that the proceeds are invested in new bus fleets. It paid £2.2m for the Hampshire Bus company in 1987 but then sold a surplus depot in Southampton and bus operations accounting for 40 per cent of turnover for a total of £4.4m, retaining the profitable 60 per cent of the business.

The Ribble bus company was making a loss of £200,000 on turnover of £29m when it was bought by Stagecoach in 1989. Stagecoach sold some of its operations in Manchester, shedding £7m of turnover, and moved a further £4m of business into its own Cumbrian company. Ribble is now making profits of £200,000 on turnover of £19m, says Scott.

With one of the largest costs of a bus company in its wages bill, Stagecoach makes a priority of reorganising wage struc-tures. Traditionally basic rates have been topped up with allowances, which makes payroll management very complex. Stagecoach aims to have a single hourly rate negotiated within individual companies or

sometimes garages.

At East London drivers work flexible shifts to increase the amount of the working day they spend driving. "It is not true that we pay less but we do make drivers work a full shift," says Scott. In most companies there is a profit-related element to

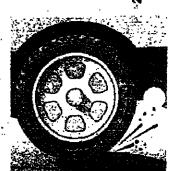
After the free-for-all in the unregulated regional bus markets, ownership of two London bus companies has given Stagecoach experience of operating in a more controlled market - experience which could prove valuable with its move into operating rail services. But a problem for a company like Stagecoach is that rail franchisees can only influence 40 per cent of their costs because the track, stations and rolling stock are owned by other companies in the rail industry, one stockbroking analyst points out. This puts the emphasis on reducing the

There will have to be job reductions at South West Trains although it will not be among drivers or people dealing with customers," says Scott. "It is the people who are out of sight whose functions have to be

This will not be easy. The rail unions are likely to prove a tougher proposition than unions in the bus industry, where companies such as East London had already negotiated many of the necessary changes.

Stagecoach's ambition is to build a network of rail franchises so that, just as on the buses, costs can be shared and best practice spread throughout the group. But this will represent a considerable challenge. The franchises may come cheap - South West Trains cost a nominal £1 - but franchisees are required to put up capital equivalent to 15 per cent of turnover.

regulated London bus market, it will have to adjust to the far greater degree of supervision on the railways. The franchising director, the rail regulator and the safety authorities will all have a considerable say Individual companies are trimmed or in the way the business is run. This may



# **FAST TRACK**

imagine a day when a surgeon in Loudon will be able to operate on a patient in Kuala Lumpur, helped by a consultant in Moscow. The stuif of science fiction? Not if groups like Elekta have anything to do with it. The Swedish group is at the forefront of efforts to make robotic surgery a reality in a

few years' time. Elekta belongs to one of the most exciting spheres of the Swedish corporate firmament the medical equipment sector. its record of organic growth readily stands comparison with that of its peers. Turnover has risen steadily from SKr201m (£18.7m) live years ago to Kr699m in the year to April 1995. Pre-tax profits over the same period have jumped from SKr23m to SKr86m.

The group's best-known product, and the foundation of its early success, is the Leksell Gamma Knife. This devices sees precisely targeted, high-dose radiation to treat tumours and other disorders deep inside the brain, often beyond the reach of conventional surgery. The precision and level of concentration differs from normal radiation treatment. says the company, and means diseased cells can be eradicated without damaging surrounding healthy tissue. A big advantage is that a hole does not have to be bored into the skull.

FRE

Laurent Leksell, Elekta president, says the treatment is less traumatic than conventional surgery and hospital stays and convalescence periods are shorter.

But he acknowledges that the machines – costing \$3m (£2m) each – represent a sizeable investment. And he accepts that some surgeons still have some reservations about the gamma knife methodology. Despite this, sales of gamma

knives have grown, helping to give Elekta a worldwide siness reach in a remarkably short time. The group is active in around 60 countries, with the US and Asia the most important markets. Apart from the gamma knife, which accounts for 60 per cent of revenues. Elekta specialises in stereotaxis (a system of fixed co-ording es that a surgeon to identify point in the brain and then reach it), surgical instruments and image guidance systems.

Leksell is the son of the group's founder, the late Lars Leksell, who started the group in 1972. Voting control remains with the family, although the group has been listed on the Stockholm Stock Exchange since

Leksell says the company will stress organic growth, backed by extensive collaborations with universities, clinical research institutes and other companies. Work on different image guidance tools, for example, has been developed together with Canada's ISG Technologies and the French group DeeMed.

The emphasis will remain on the brain and the central nervous system. Future growth will come not just from new products and new markets, says Leksell, but also from new applications for existing products. Indeed he hopes that one day the gamma knife can play a role in helping to eliminate disorders such as epilepsy, the cause of which is today invisible to traditional X-rays, "Think of the mma knife as a rifle," he says, "The better the binoculars we have the more accurately and effectively we can use it.".

Christopher

# Dressing up and dressing gown driven by a man simultaneously

s a newly fledged early bird, I have yet to grow used to starting work before dawn in my home office while the backyard coyotes are still vip-yipping in pursuit of

As may be imagined, I am often to be found hunched over this damned keyboard in pyjamas or less. All the more comforting, then, to hear that the relaxation of office dress codes is proceeding apace in the US. San Francisco's Levi Strauss has come up with the rivetting revelation that dress-down Friday has evolved into an everyday affair at 33 per cent of all US compa-In 1992, when 20 per cent of com-

panies allowed casual dress at all times, 37 per cent were sticking strictly to the suit, tie, skirt and blouse convention. That figure has now slid to 10 per cent. Extrapolating on the gleanings

from a phone poll of 504 human resource managers (why not 501?) the world's biggest apparel company has come up with the prospect that by the end of the decade, half of corporate America will be sloping around the office and plant in "casual businesswear".

Levi Strauss's discovery of a whole new market segment has so excited its marketing people that they have lost their command of the English language. "This growth would represent an additional 28m wearing occasions for casual clothing every week," it says. Reported merits include the

alleged perception among job-seekers that relaxed dress codes count as a perk, and managements' view that jeans and tennis shoes make for improved productivity. For the record, women seem more

restrained than men, who tend to favour khaki pants worn with polo shirts and leather shoes. Not a mention of pyjamas, but watch this

To experience the relaxez-vous revo-



Christopher Parkes

lution at its known limits, a trip 737-full of swivelling heads. "And with no-frills Southwest Airlines is

Its ground personnel, clad in a mixture of crumpled shorts, baggy trousers and faded beige/red polo shirts may be a rag-bag, but they certainly put a brave face on the travails of the regional specialists. I encountered Fern, a gabby cabin

person of a certain age, on a recent hop from Phoenix to LAX. Her devotion to communication - to my mind the most necessary skill in flight - impressed. "If my ex-husband and his new

lover would care to settle down at the back . . . " she announced to a



since we'll be flying above 25ft, I'd like to tell y'all something about the safety procedures on this here aircraft," she added, beaming at the rows of attentive faces.

After introducing "the Wright brothers" in the cockpit and completing her spiel with advice on putting "this here oxygen mask over your big mouths and noses", she had her passengers positively looking forward to Southwest's luxurious peanut luncheon. Later, as we lurched and clattered

across LAX's rutted runways, in that moment when travellers turn silent as the engines blast into full

reverse thrust, a clear, I'm-in-charge pilot's voice twanged over the cockpit intercom: "Whoooooaa there, big hov!" I sneaked a look on the way out. He was wearing a uniform, can and all, just like a Los Angeles bus

One of the less-appreciated tendencies among southern Californians is a devotion to work far more pronounced than many other Americans are prepared to admit. Life in Lalaland may be lived very much on the move, but it is not all lotus-to-go. This is the city where the concept of the car as an extension of the home was born and has spawned car accessories to facilitate eating and, increasingly, working on the go. Multiple power points routinely power all sorts of small appliances: even lap-top com-

I am grateful to a local newspaper correspondent for confirming that my recent sighting of a sedan

At least in southern California, changing dress habits may stem in part from the almost obsessive, practically constant indulgence in physical recreation in search of what my local gym promotes as

engaged in typing was not a one-off.

doofus in a Honda pecking away at

a laptop perched on his steering

wheel," he writes.

"I was almost sideswiped by some

(It is not uncommon to observe women, striding about their business making exaggerated arm and hip movements, muttering the mantra: "I must improve my bust.") As a result, variants on all forms of track, field, gymnasium and even swimwear are now acceptable street clothing for every age group. Former "casual" gear looks positively smart, and the suits and skirts of yesteryear are more and more the exclusive preserve of hotel staff . . . and contrary teenagers.

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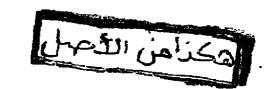
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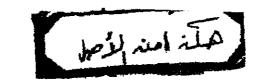
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#### BUSINESS EDUCATION

students consider which MBA course to study, Della Bradshaw examines how to make a choice

# Money clarifies masters maze

he most sought-after your choice - or that of your qualification in busi-employers if they pay the fees ness education is undoubtedly the maser of business administration. But a surge in demand for MBAs has resulted in a myriad of courses and many a confused, would-be student unable to decide which to choose

Thousands of students preparing for autumn courses are now faced with the question: Which is the best course for me? At the end of the day it is hard to escape the fact that the deciding factor is money.

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you rich? If the answer is 'yes'
you should shoot for only two schools," believes David Norburn, director of the manage-ment school at Imperial College London. Those two are Stanford and Harvard, both two-year courses in the US. because they have the best alumni leverage and brand

But you need to be seriously rich. Two years of course fees, living expenses and the cost of not being employed will cost more than £100,000.

For those with more modest ambitions money will still be decisive in the choice of a full-time, part-time, or distance learning course. But whatever

- most advisers agree on some basic guidelines.

Look at the quality and reputation of the school. In the US, where league tables are a way of life, rankings are one way to do this. In the UK the Higher Education Funding Council for England has gone some way to rank schools by awarding them grades for their teaching.

The UK also has a system of accreditation implemented by the Association of MBAs (Amba). Only one third of UK MBA courses pass Amba scrutiny - from 31 institutions in all - but they include the best of full-time, part-time, and dis-tance learning courses and are nationwide. In the US the American Assembly of Collegiate Schools of Business accredits courses but in Europe schools tend to thrive on reputation rather than

After studying the school you should study the programme, says Bob Morgan, head of business strategy at the University of North London. "There seems to be some notion that there is a standard programme. I think that's somewhat old-fashioned." He recommends that stuFOR HEAVEN'S SAKE TRY AND KEEP OFF THE SUBJECT OF HIS MEA



dents with business experience should ask themselves whether they want a course which will give them skills in general management or a specialist function. Some MBAs are tailored for specific professions designers, marketing people or those from financial services.

You may decide to study a

more focused masters degree

instead of a general MBA as a result, says Tim Sutton, visiting professor of accounting at lese at the University of Navarro, in Spain. He points to the masters

degree in finance at London Business School and the masters in design management at SDA Boconni in Milan as good

opportunity of studying abroad to learn a new language, "At the moment Mandarin is very much in demand," reports Wilbelm Brunner, of the Vienna Economic and Business Uni-

The next move should be to visit the campus during termtime, even if the campus is overseas. Go to one of the open evenings that the business schools hold and then sit in on

one of the classes. You should talk to the academics, but more importantly you should talk to the students. Particularly if you are planning to work and study simultaneously, practising students will provide the best

guide to the workload.

And you should assess the culture of the school, says Morgan, is the atmosphere competor co-operative, and which do you thrive in?

With 80 per cent of students in the UK now opting to study while working, there are part-time courses which require regular attendance for lectures - often once a week or over the weekend. Or there are open learning programmes which often require students to attend once a month, while studying largely at home. Dislargely correspondence courses, although they will require some attendance – particularly at exam time.

Although convenient, such courses miss out on the debate which is an inherent factor of a full-time or part-time course not to mention the network of graduates, or alumni.

Some students with the time

and the money - and co-opera-tive employers - even travel overseas to study on part-time Studying abroad can have drawbacks as well as benefits. As one academic jokes, you

should only study in a country. in which you may one day want to work. "When your company wants to expand overseas the person-nel department will look

through their files for someone to send there. You'll be picked out and on the next plane back!" Suggested reading: The ABS

Directory of Business Schools (Butterworth Heinemann); The Amba Guide to Business Schools (FT Pitman Publishing); The MBA Career Guide (MBA Career Guide); Which MBA? (Addison-Wesley Pub-

# **NEWS FROM**

Baubles, bangles and bright, shiny degrees If your ambition in life is to

slip into sophisticated clothes, drive a powerful car and sip expensive champagne then the course for you could be the MBA programme specialising in luxury brand management in Paris - where else?

The 13-month course from the Essec Graduate School of Management has been designed in conjunction with companies such as jewellers Cartier, champagne producers Moët et Chandon and a host of fragrance

companies.
The companies themselves participate in the project work of the 20 students on the course. Essec: France, 1 34 43 30 23.

Managing to make money from property

British business schools are emulating their American peers by introducing an increasing number of masters courses which

specialise in a specific topic. The latest is Umist, in launched an MSc in property investment and development. The one-year course can be

studied on a full-time or part-time basis. Umist: UK, (0)161 200 4218.

Civil rights leader honoured at Wharton

Civil rights leader Whitney M Young has become the first African-American to have a faculty position named in his honour. The junior professorship at the Wharton school at the University of Pennsylvania has been created as a result of fundraising by alumni and students and corporate and charity dopations. Wharton: US, 215 898 5000.

Seedcorn software companies vulnerable

The UK's software industry has improved in performance but bankruptcies in the industry remain four times the national average, according to the latest research from Templeton College, Oxford, Sales by British companies rose 6.1 per cent in 1994 after dipping disastrously in the early 1990s and companies in the sector have increased staff. Nevertheless, small software firms remain vulnerable. Templeton: UK, (0)1865 735422.

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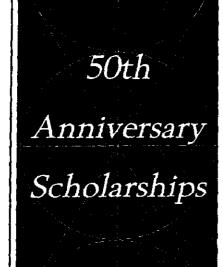
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### BUSINESS TRAVEL

#### Travel groups on show

More than 120 travel companies will show their wares at the Business Travel 96 Exhibition, which runs from Wednesday to Friday this week at London's Business Design. Centre in Islington, writes Scheherazade Daneshkhu. The: exhibition is aimed at regular travellers as well as buyers of corporate travel. Exhibitors include airlines, hotel groups, car hire companies and corporate travel agents. Seminars will cover a range of topics, including planning and arranging business travel, taking advantage of global partnerships, negotiating with suppliers and managing the hidden costs of travel. There

are also seminars on how to deal with jet lag and the opportunities opened up by the Channel tunnel rall link between England and France.

Interactive Europe Berlitz Publishing Company, which produces pocket travel guides and phrase books, has issued two CD-Roms which it describes as the first interactive business travel, language and culture guides of their

The first two Berlitz Executive Travel Guides cover northern and eastern Europe. and southern and western Europe. They have been released by Allegro New

Media of the US, which develops business software The CD-Roms include essential foreign language words and phrases, travel information, maps, hotel and restaurant tips. Each guide costs £129.95.

Black market warning American Airlines has warned that parts of a Boeing 757 which crashed in the mountains of Colombia two months ago may be for sale on the black market, reports Associated Press, American has written to airlines that fly Boeing 757s and Boeing 767s, said John Hotard, a spokesman for the Fort

Worth-based carrier, it also

included a 14-page list of possible missing parts. These may include both engines. pieces of the landing gear, tollets, emergency door slides and high-pressure turbine engine blades.

Engines like those on the crashed jet cost about \$2m (£1,3m) each new and could fetch at least \$1m on the used-parts market. Parts are ssembled and refurbished. to look like new, and are sold with fraudulent paperwork.

Flight 965 from Miami crashed last December 20 in the mountains near Cali, killing 160 people. Four people survived. The aircraft was ripped into thousands of pieces, but it hit the ground nose-up, suggesting some of

Its heaviest and most. important pieces of equipment probably survived.

Concorde record A British Airways supersonic Concorde made use of a 175mph tailwind to fly from New York to London in 2 hours, 52 minutes, 59 seconds last week, clipping 90 seconds off its OWN record. BA said that Capt Leslie Scott piloted the aircraft, carrying 30 sengers, three flight crew

and six cabin staff, from

John F Kennedy to

Heathrow, arriving 40

Its average speed, from

take-off to touchdown,

minutes shead of schedule

exceeded 1,250mph Concorde's previous trans-Atlantic record was set in April 1990.

Malaysia flights Malaysia is asking for daily flights to Johannesburg and Cape Town in South Africa, transport minister Ling Liong Sik said tast week. He said Malaysia Airlines now flies three times a week to those places, but was asking for four more flights per week over the next few years. He was speaking after talks with South. Africa's Civil Aviation Authority. Since 1994, Malaysia's trade with South Africa has risen from \$14m (29.3m) to \$306m

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After close examination of the UK railways, Peter Marsh offers his guide to the best and worst of the system

#### ail travel in Britain is get-ting better. This may seem a controversial statement at a time of scary stories of what British Rail will look like after orivatisation. But considering the increasingly crowded motorways, the rail network offers business travellers a pleasant way of getting around - particularly if they stick to the generally reliable InterCity trains and start or finish journeys

in London My confidence about the state of British Rail comes after 70-odd train journeys in recent months around the UK, covering about 5,000 miles. On these journeys I have experienced only three delays of more than a few minutes - a near-Germanic performance, and far better than when I made a corresponding sequence of trips a decade ago.

"Awayday" trips by rail will also enable anyone keen to invest in Railtrack - the government-owned entity in charge of the UK's rail stations and track, shares in which go on sale in May - to see what is on offer. Passenger trains are run by 25 separate operating companies. of which two are in private-sector hands, and the rest are due to fol-

low suit. On a business tour around the network, two publications will be useful. Inside UK Enterprise is a manual set out like a tourist brochure and produced in a Department of Trade and Industry-backed initiative to highlight UK companies with innovative management

or production processes. Crammed with colour photos and chatty descriptions, the book gives you lots of ideas about whom to drop in on. All 100 companies (most. but not all, are manufacturers) in the guide offer organised tours,

# The joys of networking

but you must book in advance. The choices are quite substantial: you can call on a binliner maker in Biggleswade (roughly an hour from London's King's Cross); a design consultancy in Warwick (a pleasant station on the Chilterns' route out of London's Marylebone); a shoe manufacturer in Norwich (once home of four railway stations, now reduced to one); and Britain's biggest mugmaker in Stoke-on-Trent

This company is probably worth a visit if only to savour Stoke-on-Trent station, with its Jacobeanstyle frontage, an exquisite war memorial and the statue of Josiah Wedgwood immediately outside. You could even stay in the North Staffordshire Hotel opposite the station, whose architectural features blend almost exactly with those of the rail centre.

You will read about Stoke-on-Trent station in what should be your second reference work, Railway Stations of Britain. This is a superior travel guide to 75 of the most interesting stations, complete with full details of track layouts and packed with historical and architectural nuggets.

Where on the rail network should you start? My vote for the most scenic journey out of London is from Paddington to Worcester. You even have a good excuse to go there, for in Worcester you will find Yamazaki Machinery, a big Japanese-owned maker of machine tools which, according to Inside UK Enterorise, is anxious to pass on hints to its visitors of "automated unmanned machining and sheet

metal cutting . . . with up to 1,280 tools being handled at any time". On the journey you will find especially after Oxford - that it is virtually impossible to tear your eyes from the rolling countryside along the route. The sense of relaxation is exactly conveyed by saying out loud the names of some of the places that lie close to the the railway line: Oddington, Cow Honeybourne. Wyre Piddle, Drakes Broughton, Inkberrow, White Ladies Aston, Upton Snodsbury, Flyford Flavell, Childswickham,

Dumbleton and Adlestrop. One problem about the route is BR's choice of rolling stock. The new "turbo trains" on this section of the railways are not particularly comfortable, and are blemished by a fairly minor but irritating design flaw: the electric hand-dryers in the toilets are woefully underpowered and next to useless.

It is a pity that Worcester's Foregate Street station (where you get off for the city centre) is nearderelict, earning my rebuke as one of Britain's three worst railway sta-

The other two are Telford, set in a surreal, drearily landscaped wasteland with few buildings and virtually no signs to say where you are, and with vandalised toilet doors; and Birmingham New Street, a dark and dismal subterranean chamber which is a desperately poor welcome to Britain's second city.

For a much more cheerful experience, take the train out of London's St Pancras (by a long chalk the capital's best station), and head for



Derby, where the station is big. open and friendly, and just a little

You could also visit Doncaster station for one of the best railway murals: a series of pictures illustrating The Ages of the Train which decorates one of the station subways, and was devised by unemployed youngsters. Coventry's light and airy station is one of the better modern ones, while for terracotta splendour it is hard to beat the Midlands twins of Nottingham and Leicester, built within a few years of each other at the turn of the

If you can, find an excuse to visit

Letchworth station in Hertfordshire where Steve Newland - the station manager, although in the new BR privatisation jargon he is more properly known as a "customer ser-vices officer" - is shortly to start the process of spelling the station's name in flowers in one of his five or so "sponsored flower beds". Showing commendable enterprise, New land has persuaded several local companies to give £100 a year to pay for the plants.

ncidentally, the reason that so many Yorkshire stations look much better than their counterparts elsewhere is that they get plants in large quantities from Poppleton Nurseries near York, a little-known part of the BR empire, now part of its "northern infrastructure division" but whose fate, postprivatisation, is unknown.

Graham Warner, who runs the nursery, the only one owned by BR and which has existed since 1941, specialises in fuchsias and geraniums. Many of his flowers end up at Skipton station near Leeds, which I judge to be the rail station where I would least mind being marooned.

Manager Revin Vince takes immense pride in making the station look attractive. In turn, Skipton is full of pleasant pubs and boasts a splendid castle. For good measure, the town has a large greet ing cards manufacturer. And there is more: just down the road is one of Britain's more impressive car

Inside UK Enterprise. Status Meet ings, Festival Hall, Petersfield, Hampshire GU31 4JW. Raikoay Stations of Britain, by Geoffrey Body. Patrick Stephens, Wellingborough, Northants NN8 2RQ. £14.99.

# Spanish<sup>a</sup> tunnel rail link proposed

Ages of Train

backing from the European Union for the construction of a rail tunnel linking Europe and north Africa under the strait of Gibraltar.

Madrid and Rabat also agreed to strengthen co-operation in fighting organised crime, terrorism, drug trafficking and illegal immigration.
The news came at the end of a two-day visit to Morocco by Spain's prime minister, Felipe Gonzalez. The two countries seem almost blithely unimpressed by the financial difficulties - principally a mountain of debt - hanging over the operators of the rail tunnel between England and France,

under the English channel. The 24.8-mile tunnel would link the northern Moroccan city of Tangier with the Spanish town of Tarifa. The two countries agreed "to continue contacts with the EU in order to acquire its institutional and financial participation in the

The idea of building a tunnel under the strait of Gibraltar is a venerable one, though little progress has been made over the years. Eurotunnel, which operates the UK-France rail link, reported an improvement in business last month, and says it expects to see a 50 per cent increase from last year in the number of trucks it carries through the tunnel.

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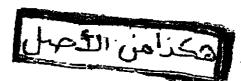
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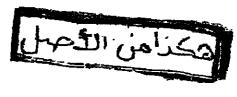
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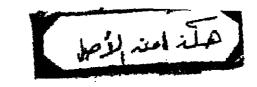
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#### MEDIA FUTURES

# V-chip to block the TV nasties

the reception of sexually explicit or violent television programmes - must in future be installed in all TV sets sold in the US, under a law signed by President Bill Clinton last

The "electronic censor" is at the heart of heated debate between civil libertarians and those who believe that sex and violence on TV encourages teenage pregnancies and juve-

The measure to make the v.chin mandatory, as well as other provisions that make it illegal to distribute "indecent" material over the Internet and other computer networks, was appended to telecommunications legislation simed primarily at deregulating the US market for telephone and cable television services.
The "anti-smut" measures

won broad political support amid rising public concerns about TV violence and pornography on the Internet. Yet the spectre of government-regu-lated censorship of traditional and electronic media is encountering growing opposi-

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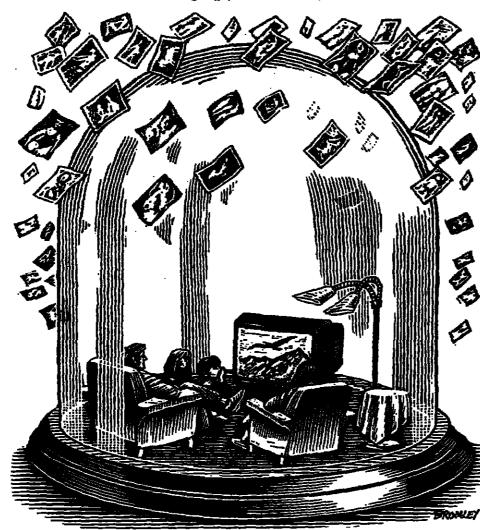
Already , the American Civil Libertles Union has filed legal challenges to the Internet restrictions, which would slap figes of up to \$250,000 and jan terms of up to two years on anyone found guilty of distributing "indecent" materials on the internet that could be accessed by anyone under the age of 18.

At the weekend, much of the Internet's World Wide Web was blacked out in a protest at the new law. The protest was mounted by Internet oriented companies such as Netscape, and by libertarian groups and individuals.

The cyberporn law is an unconstitutional restriction on free speech, the ACLU charges. Although the new law purports to protect minors, it will in effect place severe restrictions on all users of the Internet, the group maintains.

For example, critics say the law would prevent online display of famous works of art such as the roof of the Sistine Chapel, electronic publication of books including the King James Bible, and use of the

The "V-chip" - a device A law on censorship of traditional and electronic media in that can be used to block the US is an account a property of the US is a property of the US is an account a property of the US is a p the US is encountering opposition, says Louise Kehoe



mation about Aids or breast cancer. It is already a crime, free-speech advocates say, to use crude words in an electronic mail message sent over

the Internet.
Yet in many ways the new legislation simply extends existing "decency" laws to cyberspace. It has long been a federal offence, for example, to use obscene language on the telephone, although the law is rarely enforced.

One significant difference in the new law, however, is that companies which provide Internet access services as well as commercial online information services, may now be held

"indecent" material on their

To protect themselves from legal liability, these companies may now be forced to police bulletin boards and Internet pages in search of anything that might be considered offen-

Even Vice-President Al Gore, the Clinton administration's chief advocate of telecommunications reform legislation. appears to have reservations about the new cyberporn law. "We have agreed to let it stand or fall according to the judgment of the courts," he said last week.

Other methods of screening

net are already available, Gore noted. These include software that automatically blocks access to X-rated internet sites and services that "rate" Internet sites according to their suitability for young computer

The Clinton administration has no such qualms, however, about the V-chip legislation, which it believes will enable parents to prevent their children seeing inappropriate

The new law gives broadcasters and cable TV companies one year to develop a rating system for TV programmes. These programme ratings decoder boxes.

# Tim Jackson This bug in your PC is a smart cookie

nects to the Web site later, the

site can silently interrogate his

PC and pick up the informa-

The formal name for the

objects where the information is stored is "persistent client-

state hypertext transfer proto-

col cookies". Those who dis-

miss this as an early April Fool

joke can find the specification describing the cookies by using

the search engine on Netscape

A technical note written in

July 1995 describes the specifi-

cation as preliminary, and

warns users to treat it with

caution. But the facility has

Each cookie, or nugget of

information, can be up to four

on every client computer. The

total of 80 kilobytes that this

represents is roughly equiva-

circumvented by the simple

device of having a number of

different servers inside the

company. As a result, a com-

pany can theoretically store 1.2

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As a group, those who inhabit the online world tend

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When they became aware last year that MSN, Microsoft's

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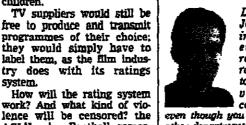
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version 1.2.

Communications' home page.



How will the rating system work? And what kind of vio-lence will be censored? the even though you buy things in other departments - I hope last ACLU asks. Football games, war movies, news reports? This is not a voluntary system. The legislation stipulates that if the TV industry fails to create an effective rating system, the Federal Communications Com-

mission will take on the role of US TV companies have so far proved reticent on the issue of the V-chip. The industry has generally been opposed to a government-mandated rating system, although there had been efforts under way to create a voluntary rating system and plans to test-market V-chip

the air or via cable - to the V-chip in TV sets. Viewers

could, if they wish, activate the chip to block all programmes

they deem unsultable for

These efforts have proved too little, too late. In Canada, where the idea of the V-chip originated, several cable TV companies are already offering

V-chips to their subscribers. With the V-chip law now in place, US TV networks and cable companies are under pressure to respond, but it is not yet clear whether they will raise legal challenges to the new law. The industry risks a backlash of public opinion if it opposes the law, but fears the loss of advertising revenues on "X-rated" programmes if it complies, industry analysts

However, it is not clear that the V-chip legislation will achieve the goals of its supporters by limiting TV sex and violence. Critics of the legislation say that it may give TV companies an excuse to broadcast more racy or violent programmes once the rating system is in place.

Whether or not there are legal challenges to delay implementation of the V-chip law, it is likely to be many years before "clean TV" is widely available, because it will require the replacement of millions of TV sets and cable TV

Jackson: Our in-store camrecorded your repeated visits by giving a name and e-mail to our fruit and vegetable address, or provides a credit card number and a address when ordering a delivery - to produce a comprehensive record of individual behaviour.

month's kid gloves came in handy during the cold snap! -Most extraordinary of all, this information can be stored we see that you have never bought fresh produce from us. Three times last week, you on customers' own PCs with-out their knowledge. It can be kept in a form so that only the stood in front of the fresh mangoes, but never took the company that collected the information can benefit from it. And when the customer conplunge. So I'm writing to let you know about our upcoming

As far as I know, no shopper has ever received such a letter. Camera technology is many years from being able to follow a single person around a department store, let alone tally that person's movements against sales records.

special offer on tropical fruit.

Yet these methods of keeping tabs on the behaviour of cus-tomers are possible today in cyberspace. Technology is already in place - and ready to be put to use on the World Wide Web of the Internet -that will allow Web site owners to gather an alarming range of information on the people who look at their Web pages from PCs at home.

Most Internet users are not aware that such possibilities exist. They believe, correctly, that when they surf the Web, the information sent from their PC to the Web site is an IP address - a string of digits that specify the Internet location of the computer they are logging in from. Tracking down the customer from that information alone is an inexact science, since a single IP address can be shared by hundreds of people working at a company, or thousands of people using

an online service.

But the leading software used on the Web contains a little-known wrinkle that increases the power of companles to find out who their customers are and what they are up to. It allows companies to track which Web pages an individual looks at, when, for how

long, and in what order.

That information can be talin from home or work, there was such a fuss that the comlied against information the pany was forced into a hasty customer provides of his own free will - for instance, when he "registers" for membership damage-control exercise to reassure the world that its intentions were honourable.

Client-state cookies are in a slightly different category. They do not allow one company to snoop on another, and they gather only information about consumers' behaviour at a single company's Web site, or information that customers themselves volunteer.

But many PC users may take a dim view of Netscape's failure to draw their attention to the fact that their behaviour may be tracked in this way. Moreover, there appears to be only one way to disable the facility: by manually amending or deleting the COOKIE.TXT file containing all the cookies.

Netscape describes the sys-tem as "a powerful new tool which enables a host of new types of applications to be writ-ten for Web-based environ-ments", and of course the company is right. Cookies allow customers to do repeat business with companies without having to retype their details. There are plenty of other very useful purposes to which the cookies could be put in future.

Yet the tale of these cookies is an illustration of the possibeen fully operational on Nets-cape browser software since bilities that Internet marketing opens up. In the old days, placing an advertisement was like firing a blunderbuss: remem-her the old quip that half the kilobytes and each server is allowed to deposit 20 cookies money spent on advertising was wasted, but that no-one knew which half. Today, technology has created silver bullent to 18 articles the length of this one. But this limit can be lets that allow companies to

target people individually. in the long term, this is a good thing, for it will tailor advertising more closely to what consumers want. But at stake is the issue of privacy which needs to be debated.

The only consolation is that breaches of privacy using this technology are unlikely to have any life-and-death conse-quences. The worst thing most companies will do, after all, is try to sell you something.

Tim Jackson can be reached at Tim.Jackson@pobox.com

# Sex, lies and the Internet

t the beginning of this month the US media giggled when John Goydan became the first person to cite his spouse's online affair with a paramour named The Weasel as grounds for divorce. The story, while amusing, has disturb-

ing implications, because the Internet has become a powerful social influence in today's society.
Indeed, the psychological impact of the

Internet has not been fully digested, according to Sherry Turkle, a psychology professor at the Massachusetts Institute of Technology. The adultery case seems funny, but it illustrates a dramatic social change," she says. "Cyberspace is changing the way people relate to each other, and that has tremendous implications." Turkle has just written a book on the subject called The Second Self, based on

hundreds of psychoanalytic interviews with cybersurfers. For Net users, there is no clear definition between spaces in which people are playing roles and spaces in which people are truly socialising, she says. The Net is a weekend parlour game to some, but deadly serious to others. She describes the devastation of one

cybersurfer who pursued someone called Fabulous Hot Rabe for months, only to discover that Babe was really an 83-yearold man living in a nursing home in Miami.

"In cyberspace, it's not clear when you have to be who you say you are," says

Identification is even more crucial now that the Internet is becoming commercialised. Positive identification may not be important to someone wanting to play out a casual fantasy, it is vital, however, to companies selling products over the wires. A 15-year-old boy, for instance, can pose as a 30-year-old man to purchase beer and credit cards can be misused - the Net

Victoria Griffith finds cyberspace socialising is on the increase

relies on users to use their own names. Net users cannot even be sure they are talking to a real person - increasingly machines are used to do the talking, Turkle says. As an example, she cites cybersurfers' interaction with "bots", characters that are programmed to behave in certain ways on the Net. Bots work by recognising certain words and churning out automatic responses. A primitive bot programme might respond to the statement "I am sad today" with "Why are you

But Julia, the creation of Michael Mauldin of Carnegie Mellon University and one of the most sophisticated bots on the Net, fools many into thinking she is human, turning out many clever responses. Consider the following typed Internet

User Brandi: Brandi bites Julia. Bot Julia: Julia shuns all vermin like

Turkle says she was particularly surprised to find in her research that Internet users were willing to talk to characters even after realising they were programmed characters. She cites one man who continued to consult a computerised psychoanalyst, even though the pro-gramme's responses were inappropriate. In one exchange Roger told the computer; "[My wife] does not make me feel loved". The computer responded: "It must be nice to be so loved." Roger continued to consult the programme because he found the exchanges helped him deal with his problems, Turkle says.

She believes that the next generation

will spend even more time socialising with computers, and recalls a group of children arguing about whether Merlin, the com-puter toy they were playing, could "cheat". "They were attributing human characteristics to the computer," Turkle

She believes cyberspace can have a positive as well as a negative influence on its users - citing, for example, patients who have used role playing to overcome fears. One man was terribly shy in person, yet online he was popular and outgoing. Eventually, his social life on the Internet

began to give him more confidence in his face to face encounters." Turkle dismisses criticisms that the Internet can be addictive and says the amount of time spent on the Net does not determine whether someone is having a

positive or negative experience. "I know people who spend all day on the telephone, but they are not considered telephone addicts," she says. She also believes that adult cybersex on the Net can be helpful, as long as the rules are clear on what is fantasy and what is reality. She says people may find the Net disturbing and exaggerate its benefits and shortcomings because they have so little experience in dealing with it.

She is also concerned about US efforts to give public schools access to the Net and about hype over pornography.

nor demon. It all depends on how it's

will develop a healthier view of the Net. "People will start to follow certain rules of with its impact."

"The Internet can't save our children's education," she says. "It's neither saviour

She is optimistic, though, that society

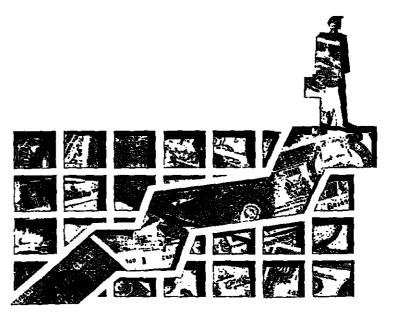
be considered another tool for interaction. But it may take a while to come to grips











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## Cyber sightings

• The Swiss Investment Marketplace (www.jml.ch[jml]) has some good information for private investors, even if its sole function seems to be to make you feel guilty for not hedging your entire partfolio in Swiss francs.

• Fundscape (http://fundscape.com) is a commercial service offering investors the chance to track the performance of mutual funds. Interesting stuff.

Hard@Work (unow.hardatwork.com) describes itself as an "online water cooler" dedicated to exploring issues acound the modern corpora-tion. The information headwants to do a better job," it scribe central-banks (your college of business administra-

says. That's assuming you have time to read it, of

course. • El Teimpo, one of the leading newspapers in Colombia (www.eltiempo.com) has put up a nicely laid out site in

• The Israeli Investor Network (www.god.com/iin/) has company listings and an online version of American-Israel Business Magazine and the Giza Investment Letter. Might be useful if you're doing business in the region. Meanwhile, the Mizrahi Bank (unow mizrahi co.il) has a site

in Hebrew with information on Israeli capital markets. The Center for the Study of Central Banks at New York University's law school runs Central Bank Bulletin, a mailing list focusing on the activities of central banks around the world. To subscribe, send the following message (in the body, not the header): sub-

first name] [your last name] to tion and graduate school of the following e-mail address: listproc@lists.nyu.edu

• The top 10 financial services Web sites of 1995 are available through Net Banker (www.netbanker.com), the Internet supplement to Online Banking Report. An interesting list, and well

summarised. A site that advertises itself by saying it "includes photos and many links to other alpaca and llama sites" has to be worth a look, no? Ah well. (http:home.earthlink.net/ knute/ljr.htm)

• The American Marketing Association's Web site (www.ama.org/gem) is well worth a browse for a steer on the latest trends in marketing strategy. You can join the association or just read a sample issue of Marketing News Online, the members' journal.

• Texas A&M University's

mu.edu) will be happy to give prospective students details of courses at its straightforward • Finally, for US residents, if

business (http://mba-grad.ta-

you're pining for Caramel deLites or Lemon Pastry Cremes, look no further. It's Girl Scout Cookle time again, and you can order through http://cookies.openmarket.com/GSstore Strangely, the URL was left

off last week's mention of the Global Access site, For the record, it is www.glblac-

steve@mcgook.demon.co.uk



he man who is building the highest tower in Moscow and masterminding the biggest post-war building project in Milan is in London. He brings with him a quality of building that is purely Italian, a certain instinct for quality.

Mario Bellini is 60 but his

achievements are such that it seems he has been around for much longer. Although he is an architect, he was best known for a long time as the designer for the office machines of Olivetti: creator of that refined look for the business machine that preceded the now ubiquitous. Japanese. efficient anonymity.

Contemporary Italian architecture is so much better than most because the best Italian architects and designers (even the designers of clothes) have complete respect for the remarkable past of their country. This appreciation of the glories around them does not have the effect it so often has in Britain, of encouraging poor copies of past styles that are weak, safe and often

In Italy, architects like Bellini, Portoghesi, Botta and Aulenti are all producing unique and splendid new bulldings. Bellini has achieved his Colin Amery on an architect who could make a motorway service station memorable

reputation as much outside clear sense of the work. But Italy as within, and he has the added distinction of being a great exhibition designer. He created one of the finest architectural exhibitions. The Renaissance from Brunelleschi to Michelangelo - The Representation of Architecture, which began in the Palazzo Grassi in Venice in 1994 and went last year to Paris and

Bellini's achievement was not just to make the great renaissance models look beautiful and dramatic, but to explain how architectural ideas move from drawings to buildings.

At the Royal Institute of British Architects a stunning exhibition of Bellini's work runs until the end of April. The show is designed by Bellini and the display technique is partly based on the renaissance exhibition and is dramatically lit.

Sixteen large models, at exactly the right height, dominate the room, and giant slides continuously change to give a how much better it would have been to be able to sit, relax and contemplate these images. Was it old architectural arrogance that refused to allow chairs?

The Bellini buildings I know best are the Tokyo design centre and the Villa Erba international congress and exhibition centre at Cernobblo on Lake Como. Both create what another critic has called urban islands. The Tokyo centre was finished in 1992 and embraces the major principles of this architect's work. It stands in the wildly cha-

otic Sakurada Dori district, where it acts as a beacon of order and restraint. The architect had to cope with the steep topography of this part of Tokyo, and to build around an existing building whose owner would not sell. These challenges forced the design to be intricate and visually exciting. Bellini has brought to Tokyo the idea of a plain street front

of an Italian palazzo with an

internal steep stair and a rear

At the top of the steep staircase that lures you in from the street is an equestrian sculpture by Mimmo Paladino. This splendid tall horse is seen between pierced travertine walls against a background of trees. The back of the building is a series of terraces enlivened by row upon row of huge flowerpots filled with scarlet gera-Tokyo is full of some of the

best work of contemporary architects of all countries. Be lini's intricate, careful and original design is exactly what changing cities need.
In Italy, Bellini's exhibition

centre in the grounds of the Villa Erba is a remarkable synthesis of past and present. In plan, the three wings radiating from the circular central building are similar to the ensembles of garden buildings to be seen at Potsdam, or around the more remote palaces of St Petersburg. But the chief thing that has

influenced its design is the proximity of the lake and the curved lines of trees. The central pavilion is itself set on a conceit that works

These two gems of Bellini's work are about to be joined by the extensive. 800m-long, new



In the hands of Bellini, drama and emotional power are achieved in the new exhibition buildings for the Milan trade fair

exhibition buildings for the Milan trade fair. It is a massive formal scheme that sensibly incorporates car parking in the planning and stupendous planting of pyramid-shaped hornbeam trees. The great skeletal portico that marks the north-western end of the new building is splendidly scaled and likely to become

the new symbol of the Milan

In a city where design and fashion fairs influence the whole world, this is an important new structure. Inevitably, it has millennial overtones, and appears to elevate the Greek temple to material heights to which it never aspired. I would have thought it almost impossible to give some of the late 20th century uses of buildings any emotional impact. The international trade fair, the Japanese leisure park, the new hotel for Moscow - in Bellini's hands, all have achieved

drama and emotional power. I do not know of another architect who could make a motorway service station into a memorable architectural experience. It takes an Italian, and it takes Bellini.

The Bellini expo is chiefly sponsored by Fiera Milano, Silicon Graphics, Al Rostramani Group, Smeg and Guiliani. Architecture Centre, 66 Portland Place, London W1.

season is the poor performance

of the England team. "It's not just a bad patch," he insists. "I don't think we have the envi-

ronment that allows the best

players to develop their full

potential. Quite simply, they

all play too much in the

England's captain, Mike Ather-

ton. "He's young, stubborn and

cussed, and I hope he's around

for a long time. I'd be thrilled

for him if we could unearth a

Botham or a Truman - prefera-

But Smith has great faith in



luxuriant eyebrows bristle; a splendid head of iron-grey hair seems to bave a life of its own. Some cricket writers have found him spiky. The wonderful phrase 'No comment...but don't quote me" is often ascribed to

executive of the Test and County Cricket Board. But he shrugs it off as apocryphal. Christopher Martin Jenkins, doyen of English cricket writers, described him in a valedictory newspaper article as having "a paranoia about secrecy"

Smith, who is retiring as chief

Smith snorts when asked if that was fair comment. "CMJ? A very kind piece in most respects. he chuckles, conceding that, in his early years as operational head of the English game, he was too

distant and impatient with the

After spending most of an

# Legacy of cricket's bristling reformer afternoon with Smith at his A.C. Smith, padding up for the last time, talks to Keith Wheatley

Lord's HQ in London, it was hard not to be impressed by the subtlety, discretion and diplomacy required to lead this most federal of games, for cricket, whether domestic or international, will not be ordered from on high. It has no equivalent to Fifa or the IAAF.

To a certain extent, lack of such a structure underlies the difficulties of cricket's World Cup, which opens this week in India, Pakistan and Sri Lanka. Three years ago, Smith presented the International Cricket Council with an unanswerable case for it to be held in England. Australia, New Zealand, the West Indies and South Africa were in favour and the decision appeared to be in the bag until the Indo-Pa-

kistan bidders started to lobby

Zimbabwe and the non-Test

Smith still bristles when he recalls the 18 hours of horse trading at Lord's which led. indirectly, to the current imbroglio with Australia and the West Indies refusing, on security grounds, to play matches in Sri Lanka following the homb blast in Colombo.

The price of England's manoeuvre in 1993 was a fairly radical overhaul of the ICC, and that should begin to bear fruit by the time of the next World Cup, to be held in England.
Domestically, Smith leaves

with the game in impressively better shape than when he arrived. A decade ago, big clubs like Warwickshire, where Smith had been captain were healthy enough, but at the margin the outlook was grim. "Crowds are up, revenues up [and] we have blue-chip sponsors who seem happy to stay with us for the long haul," he says. This year the TCCB will distribute £21m to the counties and grass-roots game in Britain. When he arrived, the comparable figure was just over £4m.

Television has made the difference. Cricket shares itself skilfully between terrestial and satellite channels. Indeed, the sports television rights debate turns Smith's bristles to prickles, producing undiplomatic words like "aggrieved" and "annoyed" over the House of Lords amendment to extend so-called protection of certain events from subscription and pay-per-view channels.

"Since competition has appeared, television has been good to us. We're friendly enough with the BBC but the

relationship is much more healthy since they realised market forces had to apply." It rankles that a man who has devoted his life to playing or administering cricket should be told by politicians he needs protecting from the temptation to sell the game's devoted audience down the river for a few extra millions.

"We have optimised rather than maximised our assets. We perhaps could have got more but we have sold them carefully. It one sense, it isn't very efficient to have our international cricket at six Test grounds but we like to provide cricket to its public. The game belongs to the community.

What, then, underlies the disquiet at Westminster? "It's election year, for heaven's sake," snorts Smith, perhaps

foreshortening the political timetable. "We're spending an enormous amount of time and money lobbying on this and thinking much more long-term than most politicians."

After our meeting Smith went off to sign letters to 120 MPs known to be interested in cricket. One in particular, with an office in Downing Street, was due a personal visit.

Besides the World Cup, the other notable setback for Smith was the reluctance of the counties towards accepting an umbrella body for the whole sport. By now, the TCCB should have become the English Cricket Board, with responsibility for every aspect of the game.

Last summer, Smith's impeccably well-researched plan for reflect a consensus among the autonomous counties. Yet at their October summit, it was despatched to the limbo of a working party.

Smith says: "I think once the countles got their solicitors reading the new constitutions, the enormity of it all just hit them very hard." But he claims not to be despondent over the stalling of his reforms.

To an outsider, it seems the major counties in particular wish to remain that curious English hybrid, a limited company and yet a private mem-bers' club. But Smith insists that change is inevitable. "We wili have an English cricket board - whatever it is ultimately called. Everyone outside cricket can see the need to deal with just one governing body, and we have to respond. What really causes Smith

bly both - who could give the England attack a cutting edge."
A.C. Smith was captain of Oxford when the Nawab of Pataudi was in the side and the universities could still expect to win half a dozen matches

against the county teams, and

then a succesful Warwickshire

and England player. His regrets are few. "When I leave I shall miss the company of nice people," said Smith, "It really is one of the greatest things about cricket."

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THURSDAY Abbott Laboratories \$0.21 Anglo Am Inv. Tst. 6% Cum. Prf. R0.06 Assoc Nursing Services 0.85p Bumdene Invs. 1 75p Chase Manhatten \$0.45 Colgate Palmolive \$0.47 Fishguard & Rosstare Rail 3!4% Gtd. Prf. Stk. 1.225p Gibbon 7% 2.5p Hambros Eurobond & Money Prtg. Red. Prf. A\$0.8907 Do. Prtg. Red. Prf. (Cont.) Eurobond) DM1.3096 Do. Prtg. Red. Prf. (Cont. Money Mkt.)DM0.7748 Do. Prig. Red. Prf. (Managed) 18.44p cosuninDo. Prtg. Red. Prf.

(North Am) \$0.76 Do. Prtg. Red. Prf. (Stig. Eurobond) 17.99p Do. Prtg. Red. Prf. (Stig Money

Mkt.) 29.05p Do. Prtg. Red. Prf. (US\$ Money Mkt.) \$0.342 Do. Prtg. Red. Prf. (US\$ Managed) \$0,246 Do. Prig. Red. Prf. (Yen Eurobond) Y33,45 Housing Fin. Agency 8%% '18 IR4.375 Japan Dev. Bank 8%% Gtd. Nts. '01 \$418.75

Matheson Lloyd's Inv. Tst, Moorgate Inv. Tst. 1.75p Protean 1.6p Sanwa Bank Can FRN, '05 \$1,629.17 Scottish Met Prop 101/49/4 Mort. Db. '16 £5.125 Scottish Radio 4.4p

Sears 71/4% Unsec. Ln. 92/97 £3.625 SONAR Mort. Bk. FRN. '21 £165.27 Do. Class B. £198.58 Utillity Cable 0.39p

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ITOCHU 91/2% 1997 \$4,750 Japan Fin. Municipal Ents 9%% Gtd. Bds. '05 291.25 Moorgate Invs. Tst. 1.75p NatWest Bank Prim. Cap. FRN \$313.06 Do. Variable Rate Cap. 2008 \$182.92 Nippon Credit Bank Fin. \$3,264.72

Pilkington 1.75p SKOPBANK- Finn Svgs Bks Ass. B, VRN. \$172,50 State Bank NSW 7% '04 A\$70 Do. Ext. FRN. \$314.65 United Utilities 9,27p **SATURDAY** 

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TODAY COMPANY MEETINGS: INVESCO Recovery Tst., 11 Devonshire Sq. E.C. 12.00 BOARD MEETINGS: Finals: Gertmore Micro Index Trust

Olim Convertible Trust Wellington Underwriting interims: Armour Trust Bryant Second Alliance Trust

■ TOMORROW

COMPANY MEETINGS:

Baggeridge Brick. Birmingham Chamber of industry and Commerce, 12.00 Hardys & Hansons, Kimberley Brewery, Nottingham, 11.30 RCO Hidgs., 20 Old Bailey E.C., 3.00pm Titon Hidge., International House, Peartree Rd., Stanway, Coichester, 10.00 Windsor, 1 Great Tower St. E.C., 12.00 BOARD MEETINGS:

Finals: British Petroleum Irish Banks Johnson Fry Second Utilities Trust Kleinwort O'seas Inv. Trust St Modwen Properties TR Pacific Inv. Trust Updown Inv. Warrants & Value Inv. Trust Fleming Overseas Inv. Trust

WEDNESDAY **FEBRUARY 14** COMPANY MEETINGS: Daily Mail & General Tst., Kensington Close Hotel, Wrights Lane, W., 11.00 Fenchurch, Bakers Hall, 9 Harp Lane, E.C., 12.00 BOARD MEETINGS: Finals: Flying Flowers Lloyds Abbey Life Scottish American Inv. Schroder Split Fund

Eaglet Inv. Trust For. & Colonial Inc. Growth Anv. Trust

Citicorp Banking FRN, '97 \$25

Daily Mail & Gen Tst. 13.5p

Chemring 7.32p

THURSDAY FEBRUARY 15 COMPANY MEETINGS: Aberforth Smaller Companies, 14 Melville St., Edinburgh, 6.30 Chemex, 44 Worship St., E.C., 11.00 Electra Invs. Tst., 65

Kingsway W.C., 12.00 Scottish Radio Hidgs., Clydebank Business Park Clydebank, Glasgow, 12 00 BOARD MEETINGS: Finals: CLM Insurance Gen. Cons. Inv. Trust Greenfriar Inv.

Mersey Docks & Harbour Royal Dutch/Shell Ward Interims: Affied Leisure Armitage Brothers Pantheon Inti.

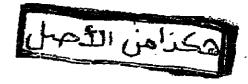
FRIDAY FEBRUARY 16 COMPANY MEETINGS: Bearing Power Intl., Institute of Directors, Pall Mall, S.W., 11.30 Watson & Philip, Strathtay House, Dundee, 12.30

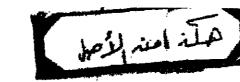
BOARD MEETINGS: finals: Baring Tribune Inv. Interims: Birse

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally fC avaliable until approximately six weeks after the board meeting to approve the preliminary results.

Salaya Bayan Bayan







Brando are away right now."

When will they be back?" "Let me

see, what day are you leaving?" "Friday." "They'll be back on Satur-

Hollywood by whether they have

checked into the airport just before

you arrive. But what of up and coming film folk? Are they perhaps on

"Mr Andrews, the director Ang Lee would very much like to talk to

you about Sense And Sensibility.

But I have to tell you, he's going to

So if I liked, would I talk to him during the ride? Of course, Where

more natural to interview a Taiwan-

ese-New York director who has just

directed an eagerly awaited Jane

Austen movie in England (opening

there on February 23) than in a

Lee's films, it happens, are about

culture shock. He made The Wed-

ding Banquet, an arthouse smash

about a Manhattan gay couple

thrown into disarray when one

partner's Chinese parents come to

about food and family life in cross-

generational Taiwan. Eat Drink

broke international records for a

karate-free Oriental film, and soon

afterwards Lee received a screen-

"I'd never read Sense And Sensi-

bility," he says. "But I read the

script because it was written by

Emma Thompson, who's one of the

they had sent it to me. Then I began

to realise that all this time I have

been making Jane Austen films! Eat

ters and matrimony. It even had a

line of dialogue that was the same as one in Sense And Sensibility.

when the two sisters fight and one

family structures, facing the mod-

staying true to your emotions."

hard on his career-consistency pat-

ter. But perhaps there is a similar-

ity between the social finesse of

Regency England and the formal

preciosity of Chinese manners

today and through the ages. At the

master at irony and intimism -

Austen's own strengths - in his

"I love the combination of satire

and family drama, of cynical

numour and a warm romantic

touch. People are getting fed up

with a certain type of movie today, the hard-edged slam-hang thriller or

action film. They are looking for

something with a human dimen-

They are certainly looking for

Jane Austen, to judge by the cur-rent epidemic. "It's so ironic," he

same time Lee has proved himself a

"At first it didn't make sense why

play with a famous signature.

most brilliant actresses today.

prople said Sait Drink Man Woman was about sis-

visit, and Eat Drink Man Woman,

the way to the airport?

the airport this morning.

traffic jam in California.

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Fiera Milana, Ser. 3. Al Rosston. String and Guilana. Courte Centre, 68 in 1999.

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WURZBURG

Tiepolo (1696-1770) was the last of the great Venetian decorators, the purest exponent of the Italian Rococo and arguably the greatest painter of the 18th century. To mark the 300th anniversary of his birth, an exhibition of 180 paintings and drawings opens at the Residenz. thich was decorated by the artist eft), on Thursday.

'Peter Grimes", Benjamin Britten's best-known opera, has had to wait half a century for its first production Vienna. Tonight's premiere at the State Opera is conducted by Mstislav Rostropovich and staged by Christine Mielitz, with a cast including Neil Shicoff as Grimes and ancy Gustafson as Ellen Orford.



LYONS

On Thursday the Musee des Beau Arts unveils the first major retrospective of Francois-Auguste Ravier (above), the 19th century tandscape painter often described as the French Turner. Ravier shunned the Paris salons and spent most of his career painting watercolours which capture the light and atmosphere of the Dauphinois countryside. The exhibition includes 140 paintings and drawings from nublic and private collections around Europe, plus 20 works by his contemporaries.



NEW YORK

One of the biggest-ever Faberge exhibitions opens at the Metropolitan Museum of Art on Friday, it features more than 400 precious objects - including 15 of the 44 extant imperial Easter eggs (left) commissioned by the last Russian tears. The exhibition will travel to Sen Francisco, Richmond, New Orleans and Cleveland.

PARIS

At the Opera Bastille in Paris on Tuesday, a new ballet programme is devoted to four works by George Balanchine set to Tchalkovsky music: "Serenade", "Tchalkovsky pas de deux", "Allegro Brillante", "Theme and Variations". Wonderful ballets and wonderful HAVANA

Cuba has been putting fire into jazz since the Forties "Cubop" craze, even though political obstacles have musiclens from leaving and others returning, But Havana's annual jezz festival, held remains a high point in the touring programme includes the island's too brass, Irakere and, from Nev York, flery

OPERA / David Murray

# Tristan, or something like it

These days, to see Wagner played straight you have to go to the provinces. On Saturday the English National Opera unveiled its new Tristan and Isolde; as produced by David Alden, it amounts to a concert performance with mildly eccentric trappings.

But it is a very good concert performance: doughty voices in all the main roles, and a strong, finely shaped account of the score by Mark Elder. The volcanic power of Wagner's music is not lost, nor its elevated intensity at the end. As for the drawa - well, Alden has striven to "cut away all the externals", which means the visible story, the visible characters, the

Without those "externals", unfortunately, we get nothing to pene trate. It is strange to think that a new London generation of Wagnerlovers is growing up with hardly a glimpse of grown-up Wagnerian opera: just Richard Jones's jokey, anything-goes Ring at Covent Garden, grotesque Parsifals at both houses, and now this spectrally bloodless Tristan

These may tickle jaded palates, but the novice Wagnerians among the audience probably outnumber jaded palates by 10 to one. I thought that Dennis Marks, the ENO's general director, was pushing things when he appeared at the start to thank "The Audience" for presenting the show (via the ENO Trust): they had not been consulted, and by the end some of

As you may remember, Act One takes place on a ship which is bearing the reluctant Isolde to Cornwall, under Tristan's protection, to marry King Marke. What Alden shows us, therefore, is a high, stage-wide brick wall with two gilded, peeling arches, and vestiges of an old stucco sky-and-clouds cyclorama. We wonder idly how the chorus of sailors will get a look-in; in fact a slab of the wall gets raised from time to time to disclose them like cuckoos in a clock, silhouetted

against a void with pleces of what might be obsolete farm equipment. For Act Two we have the same wall, but parts of it keep drifting off, sideways or upwards, until by Act Three there is only the luminous void (in various colours), with the bulky silhouette of the dying Tristan propped precariously upon a small wooden chair. Why a wooden chair, you ask? Because small wooden chairs are Alden's trademark; and he has shown great restraint in having only one of them here. Indeed, he shows

weird, arbitrary details upon the action - unless you count his treatment of the Shepherd in Act Three, who is apparently blind and immobile, staring blankly into the audience almost throughout. Semi-abstract Tristons are noth-

ing new, and given ripe dramatic performances by the principals they can work. Here, though, the Tristan and the Isolde are not only large vocal presences but very large bodily ones, ungainly and inflexible. They are remarkably shaggy, and enfolded in volumi nous robes. The moon-faced Isolde wears a fixed, triumphant gloat for two acts, and returns for the third in a state of beatific catatonia at front-stage, never once looking at Tristan's corpse spread-eagled far behind her.

For the great love-duet of Act Two, Alden has decided that it would be too crude to allow the lovers to touch. Instead, these massive figures just keep gesturing and twirling in stately slow motion, between 20ft and 30ft apart. Slim little Brangaene, Isolde's handmaid, is dwarfed and marginalised. So is most of the story.

Yet there are creditable vocal honours all round. Elizabeth Con-nell's Isolde boasts splendid attack, a rich range of vocal colours that lights up passage after passage with bold imagination, and huge musical commitment to the role. The American tenor George Gray is not so interesting as Tristan, but his heroic, pressurised timbre is reliable singers like him are much needed in the Wagner repertoire nowadays. Young Susan Parry's Brangaene is plangent and lovely, though under-used: in a real staging, five or six years hence, she

might do wonders. As Kurwenal, Tristan's loyal henchman, Jonathan Summers tall, hairy and be-kilted - promises far more than he is ever allowed to explore here. Gwynne Howell's King Marke, at least, escapes unscathed: his solo turns are isolated from the action, but he delivers them with noble sobriety. In smaller roles John Hudson and Christopher Booth-Jones make vivid impressions as the Young Sailor and Melot. And Elder's vital way with the score - urgent without forcing, always attentive to the longer span – is exciting to hear, all the way through. One longs to hear him conduct a production that makes room for drama, and suspense, and danger.

Eight more performances at the Coliseum, to 16 March.



Ang Lee: 'When I got the script I hadn't read the book. But then I did and felt this call of destiny. I felt it was made for me'

# Eat Drink Jane Austen

#### Nigel Andrews talks to Ang Lee, director of 'Sense and Sensibility'

sighs, "that our film comes out at "war games" then being conducted and to make it pure. The way peo- In earlier films Lee also used just before Emma, which is being heart? Wedding Banquet was about filmed now. Because Emma social repression and traditional [Thompson]'s script had already ern world in a time of transition. Like Jake Austen, the films are been four years in the writing when I read it. The same thing happened to me on The Wedding Banquet. It about how to deal with people while took seven years from first draft to Lee has obviously been working film, then all that year there were gay-related Chinese movies!"

But how can any artist guess or outguess a zeitgeist if he is always on the move? Born in Taiwan, Lee emigrated to America at age 24, studying theatre at Illinois University and film at New York University. Then he returned to Taiwan to win first and second prizes in a government-sponsored screenplay contest. Both scripts were filmed and the second was The Wedding Banquet, which brought him fame by winning the Berlin Golden Bear.

Though he now lives in America, he still has close feelings for Taiwan and the country's historic problems. "It was never as free as Hong Kong, where you can say almost anything as a film-maker. Taiwan always had a certain fear of China" - we were talking of the one learned certain protocols or disguises. I would hate to see Taiwan taken over as Hong Kong will be. It is terrible for a country to live in a state of confusion over its identity." Individuals likewise Returning from the political to the particular, could anything be more incongruous than for a man who is part Eastern, part East-coast American to tackle the manners of a bygone

society? "The biggest problem I had was with the acting," he says to my sur-prise, since the cast glitters with Emma Thompson, Alan Rickman, Hugh Grant et al. "Sometimes," he explains, "I could not tell if they were acting from a tradition of 19thcentury real life or 19th-century

dauntingly specific British time and

"I didn't want to make a costume drama that would distance people. What the English call a teacup drama. So I asked myself, how do you tear down that distance, of the period language and costume. Or do you use it? Because that distance allows you to abstract the emotion tumes means something. It's all part of their behaviour and attitudes, and their thinking about relationships. The actors all had dance lessons and I'd participate with them. Because it was an important social event: how you make eye contact again and again with someone, how you carry your-

ccording to Emma Thompson's published diary on the film's making. Lee was obsessed too with the contours and possible significances of people's faces: including the space between an actor's lower lip and chin and again between the bridge of his nose and his forehead. Since Lee also made his cast do meditations, tai chi exercises and "homework" on their roles - submitting past histories of their characters' lives and accounts of their feelings - it sounds as if the world of the filmed classic was being invaded by every dangerous science from Zen

emotions. Surely he could not do that with something as precise and fastidious as a Jane Austen script? "On Wedding Banquet and East Drink improvisation helped a lot, though I used it less here. It can loosen up an actor. But you have to do it carefully. It's a tool, not an end in itself or a kind of psychother

apy. Sometimes you must pull the actor back to where he started." I venture a delicate question about his own preparations for the film. Had he read the novel?
"I hadn't read it when I received

the script. But then I did and I felt this call of destiny, It's the kind of story I've been aiming at all these years. I felt it was made for me. I'm totally grateful for the opportunity. Coming out of the blue, it's one of the best things that's happened to me in my life."

Soon after Lee told me this, Sense And Sensibility won the 1996 Golden Globe award for Best Film from the Los Angeles critics. This probably ensures that his career is now like him at the close of our interview ready for international take-off.

> Opera. Soloists include Carol Vaness, Cecilia Bartoli and Jerry

Samb, Raoul Teuscher and Claude Vuillemin; Tue - Sat 8.30pm, Sun 4pm: to Mar 2 (not Mon)

unusual restraint in not visiting

#### ■ STOCKHOLM

Konserthuset Tel: 46-8-7860200 Filharmonikema: with conductor Andrew Davis and planist Howard Shelley perform Mozart's Piano Concerto No.17 and Elgar's Symphony No.1; 7.30pm; Feb 14, 15

#### ■ WASHINGTON

Corcoran Gallery of Art Tel: 1-202-638-3211

 Painting Outside Painting: 44th Biennial Exhibition of Contemporary American Painting: the 88th year of the longest-running blennial exhibition in the US and the only one to focus exclusively on current directions in American painting; to

#### **ZURICH**

# INTERNATIONAL

#### AMSTERDAM

DANCE Het Muziektheater Tet 31-20-5518117 Cinderella: a choreography by Tederick Ashton to music by tokofiev, performed by Het lationale Ballet. Soloists include Ene Lord and Alexander Gouliaev Jack Mall Sill. Feb 15), Caroline Sayo lura and avid Dawson (Feb 16), and Larissa Sthina and Wim Broeckx (Feb 17): Spir; Feb 15, 16, 17 EQUIDITION Stedelijk Museum

Tet 31-20-5732911 Gilbert & George: The Naked Shit fictures: these symmetrically tinictured pictures are a

radicalization of the large works the have been making since the beginning of the seventies, and in they portray the condition of lodem man; from Feb 17 to Mar 31

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CONCERT

The second secon

**OPERA** Det Kongelige Teater Tel: 45-33 14 10 02 Saul and David: by Nielsen. Conducted by Poul Joergensen and performed by the Royal Danish Opera. Soloists include Aage Haugland, Kurt Westi and Poul

**OPERA** Hamburgische Staatsoper

 Berliner Sinfonie-Orchester: with conductor Antoni Wit, soprano Dagmar Schellenberger, tenor Peter Maus and bass Rudolf Mazzola perform works by Mozart and Stravinsky; 8pm; Feb 16 7.30pm; Feb 14, 17

#### **■ BOLOGNA OPERA**

Teatro Comunale di Bologna Tel: 39-51-529999 Anna Bolena: by Donizetti. Conducted by Evelino Pidò and performed by the Teatro Comunale di Bologna. Soloists include Luciana Serra, José Broos, Sonia Granassi and Carlo Colombara; 8.30pm; Feb 13, 15 (6pm), 18 (3.30pm)

#### **■ CAPE TOWN**

City Hall Tel: 27-21-4617084 The Cape Town Symphony Orchestra: with conductor Jorge Mester and pianist François Guy perform works by Van Wyk, Bartok and Ives; 8pm; Feb 15

#### ■ COPENHAGEN

Elming: 8pm; Feb 13, 15

#### HAMBURG

Tel: 49-40-351721

 Hamburgische Staatsoper: with conductor Miguel Gomez Martinez perform Mascagni's Cavalleria Rusticana and Leoncavallo's Pagliacci. Soloists include Stefka Evstatieva and Kristjan Johansson;

#### **LISBON**

CONCERT Grande Auditório da Fundação Gulbenklan Tel: 351-1-7935131 The Takecs Quartet: perform Schubert string quartets Nos. 1, 9 and 13 (Rosamunde); 6.30pm; Feb

#### LONDON

CONCERT Berbican Hall Tel: 44-171-6388891 London Symphony Orchestra: with conductor Myung-Whun Chung perform Shostakovich's Symphony No.6 and Mussorgsky's Pictures at an Exhibition; 7.30pm; Feb 15 Royal Albert Hall Tel: 44-171-5823861

 Mountbatten Festival of Music: presented by Sussanah Simons and Desmond Carrington. The bands of Her Majesty's Royal Marines perform a concert programme of light popular music; 7.30pm; Feb 14. Wigmore Hall Tel: 44-171-9352141

performs works by Haydn and Bartók; 7.30pm; Feb 14

#### LYON

Opéra de Lyon Tel: 33-72 00 45 45 Die Zauberflöte: by Mozart. Conducted by Kent Nagano and

performed by the Opéra de Lyon. Soloists Include Christiane Oetze, Veronica Cangerni, Natalie Dessay and Thomas Mohr; 8pm; Feb 13

#### ■ MUNICH

(7.30pm), 14, 15, 17

DANCE Nationaltheater Tel: 49-89-21851920

 Bayerisches Staatsballett: perform the choreographies Concerto Barocco by George Balanchine to music by J.S. Bach, Der Feuervogel by Angelin Preljocal to music by Stravinsky, and Fearful Symmetries by Peter Martins to music by Adams; 7.30pm; Feb 13

#### ■ NEW YORK

CONCERT

**Avery Fisher Hall** Tel: 1-212-875-5030 Brandenburg Ensemble: led by Todd Phillips and with flutist Jean-Pierre Rampal and violinist Jennifer Koh perform Mozart's Serenade in D (Serenata nottuma). Vivaldi's Concerto in C minor for Flute, Violin and Strings, Stamitz's Flute Concerto in G, and J.S. Bach's Violin Concerto No.2 in E and Brandenburg Concerto No.3 in G; 8pm; Feb 14

 New York Philharmonic: with conductor Charles Dutoit and harpist Sarah Bullen perform works by Albéniz, Rodrigo, De Falla and Turina; 7.30pm; Feb 13 OPERA Metropolitan Opera House

Tel: 1-212-362-6000 Cosl fan tutte; by Mozart. Conducted by James Levine and performed by the Metropolitan Hadley; 7.30pm; Feb 13, 17 (8pm)

#### ■ NICE OPERA

Opéra de Nice Tel: 33-93 85 67 31 The Golden Cockerel: by Rimsky-Korsakov. Conducted by Uri Segal and performed by the Opera de Nice and the Orchestre Philharmonique de Nice. Soloists Include Sumi Jo, Valérie Gonzalez, Alexander Anisimov and Donald Kaasch: 8pm; Feb 13, 15

#### PARIS CONCERT

Salle Gaveau Tel: 33-1 49 53 05 07 Paul Badura-Skoda: the pianist performs works by J.S. Bach, Mozart and Beethoven; 8.30pm; Feb DANCE

Théâtre de la Ville Tel: 33-1 42 74 22 77 La Tristeza complice: a choreography by Alain Platel to music by Purcell, performed by Les ballets C. de la B.; 8.30pm; Feb 13. 14, 15, 16, 17 **OPERA** 

Tel: 33-1 44 73 13 99 idomeneo: by Mozart, Conducted by Marc Minkowski and performed by the Opéra National de Paris. ;7.30pm; Feb 14, 17 THEATRE

L'Opéra de Paris Bastille

Tel: 33-1 47 27 81 15 Fantasio: by Alfred de Musset. Directed by Claude Stratz. The cast Includes Madeleine Assas, Pierre Byland, Jane Friedrich, Boubacar

Théâtre National de Chaillot

#### CONCERT

CONCERT

Concert Hall Tel: 1-202-467 4600 National Symphony Orchestra: with conductor James DePreist and violinist Nadja Salemo-Sonnenberg perform works by Epstein, Börtz, Schubert, Barber and Hindemith; 8.30pm: Feb 13 **EXHIBITION** 

### CONCERT

Tonhalie Tel: 41-1-2063434 Tonhalle-Orchester: with conductor Herbert Blomstedt perform Berwald's Symphony in E-flat major and Bruckner's Symphony No.9: 7.30pm: Feb 13. 14, 15 (8pm)

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Michael Prowse · America

# Christian crusade

Religion could play as important a role in this year's presidential race as pocketbook issues such as taxes

In the middle ages, Christians joined military crusades to fight infidels. Now they are foot-soldiers in US political campaigns. Indeed the strangest aspect of press coverage of Republican campaigning in Iowa - at least in the eyes of an outsider - is that it has focused as much on something called the "Christian Right" as on the candidates

The stress on the voting intentions of religious conser vatives follows the surprise victory of Mr Pat Buchanan, the flery columnist, in last week's Louisiana party caucuses. Mr Buchanan's emotional demand for a Constitutional amendment banning abortion drowned out the free market message of his main opponent, Senator Phil Gramm of Texas.

The Christian Right - now the single largest faction in the Republican Party showed its political clout in the 1994 congressional elections. If evangelical Christians had not voted Republican by a margin of three to one, the Democrats would probably not have lost their majority in the House of Representatives for the first time in 40 years. The Gingrich "revolution" might have never occurred and President Bill Clinton might by now have enacted much of his social agenda.

Religion influences politics because it permeates everything in US life. The point Europeans should grasp, says Mr George Weigel, director of Ethics and Public Policy, a Washington think-tank that the US has "falsified the thesis that modernisation implies secularisation". If anything the US is more religious than 50 years ago, he claims. Opinion polls indicate 84 per cent of voters believe in heaven against 57 per cent in Britain and a mere 17 per cent in Denmark. Half the population claims to read the Bible at least once a week outside church and an astonishing 40 per cent describe themselves as "born again" or

evangelical Christians. At first glance it is puzzling that these intensely religious folk are so conservative politically. In 1994 nearly 80 per policy that occurred in the 1960s and 1970s, such as the

cent of church-going white evangelicals voted Republican (blacks form a separate class and voted Democrat by a similar margin). The conservative bias was evident even among low-income evangelicals, who might be expected to lean toward the Democratic party. In other countries voters with comparably strong religious convictions are often left of centre - and deeply suspicious of capitalism and property rights. Think, for example, of the Roman Catholic priests in Latin America who invented "liberation theology" and the British church leaders

who seize every opportunity to condemn market-oriented policies. The puzzle is deepened because in the 1930s US evangelicals formed part of Franklin Roosevelt's "New Deal" coalition. Indeed, as recently as the 1950s. evangelicals were solidly Dem-According to Professor John

Green, a political scientist at the University of Akron in Ohio, the shift of evangelicals and (to a lesser degree) Catholics from the Democratic to the Republican fold represents "a fundamental re-ordering of political preferences". There are two reasons for the shift, which has helped the Republican Party win five of the past

1994 congressional elections

White mainline protestants

White Mormons

White Catholics

White seculars

Hispanics '

White Jews

Stacks.

White other reliaions

White evangelicals

The religious vote Republican

78%

58%

53%

44%

39%

1096

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seven presidential elections. The first is that evangelicals and other fundamentalist social policy. groups were alienated by the changes in social mores and

divorce, the promotion of gay rights and the rise of radical feminism. "Bit by bit evangeli-cals felt antagonised," says Prof Green, and they saw the Democratic Party as "the engine of this liberalism." The second reason for the shift in voting patterns is slmply upward economic and social mobility. Several decades ago, evangelicals and Catholics tended to be poorer and less well educated than the population at large. They exerted far less influence than

liberal "mainline" Protestants

(such as Episcopalians and Lutherans) who had been cul-

turally dominant since the

easier rules on abortion and

War of Independence. But as members of evangelical groups climbed the eco-nomic ladder (a rise associated with the shift in industrial activity to the southern states), they became politically more active, as well as ideologically more conservative. They also became more numerous relative to mainline Protestants whose churches have seen falling rolls. The rising influence of evangelicals is mirrored in the startling growth of Mr Ralph Reed's Christian Coalition, an advocacy group with 1.7m

Republican

496

2794

22%

9%

2%

196

2%

1.96.

11%

24%

22%

12%

4%

-3%

4%

.17%

PARTAS HET DOYLA

Mr Clinton, a Southern Baptist, knows how to court religious voters. In pledging a "new covenant" with the American people in his 1993 campaign he made deliberate imagery. But his success this November cannot be taken for way of winning back at least a erted the Democratic Party and who question his leadership on "character" grounds. That will require convincing talk on moral as well as pock-

members and the power to dictate chunks of Republican

Prof Green is not alone in arguing that "religion was more important than economics" in determining the outcome of the 1994 elections. As the table shows, all three of the main religious groups voted disproportionately Republican, with bigger mar gins among regular churchgoers. White evangelicals lone accounted for nearly a third of the total Republican vote. The Democratic rout would have been more severe but for the support of key minorities, such as blacks

electorate who say they are not religious. Some pundits assume that the Republicans' failure (to date) to get much of their economic agenda enacted could fatally undermine their electoral appeal this year. However, given the importance of religion in US politics this could prove a miscalculation. Evangelicals may not care that Mr Clinton blocked much of the "Contract with America"; they are not going to

Hispanics and Jews, and (less

ers - the 8-14 per cent of the

decisively) that of secular vot

abandon the Republican party because the budget is still unbalanced. What really exercises them is the nation's alleged "moral decline" as reflected in the rise in out-of-wedlock births, violent crime and other social pathologies.

and overt use of religious granted unless he can find a portion of the evangelical and Catholic voters who have des-

# ·LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SEI 9HL We are keen to encourage letters from readers around the world. Letters may be faired to +44 171 573 5936 (please set far

# to fine'). e.mail: letters editor off. com Translation may be available for letters written in the main international languages.

# Nothing learned about technical analysis

From Mr Terry W. Young. Sir. Mr John Train's column 'Don't waste time on charts" (February 3/4) is almost verbatim from his writings in 1980 (chapters 10 & 11 in *The* Money Mosters) wherein he alleges that technical analysis does not, will not and has never worked for any considerable period. I am dismayed that Mr Train has learned nothing about the uses of technical analysis in the 15

Money Masters. Today's masters of trading frequently rely upon computerised analyses of chart patterns to generate

years since he published The

mathematical trading algorithms. Chart patterns and algorithms enable disciplined traders to make money by analysing, defining and controlling market risk. Money is made in the markets, both long term and short term, by controlling risk.

Risk management techniques are the most important, universal skill of consistently profitable money managers, be they stock or futures investors. Mr Train has conveniently forgotten the long term success of many professional chartists - some of whom have been featured in the two volumes of Market

Wizards by Mr Schwager published in this decade. Because investors elect to control risk in a different style than those that Mr Train idolises does not mean that they are wrong or

Mr Train's flamboyant bet that no one can take the left . side of a chart and predict the right side is childish and self-servingly totally ignores the role charts play with today's sophisticated and successful investors. The absolute predictive power of a chart is not what is important. A chart is important for what it implies of market

psychology and as a hint of future possible courses of action based upon historical

precedence. The most successful traders combine a fundamental appraisal of future expectations (which Mr Train recommends) with a sense of timing and risk control (which Mr Train largely ignores). Charts provide that extra edge of discipline for many.

Terry W. Young, president, TYC Inc. 236 White Oak. Santa Ynez, CA 93460,

#### Long-term view behind latest step

From Mr Maurice Benisty. Sir, Your comment on the Groupe Videotron's disposal of its 56 per cent shareholding in Videotron Holdings ("New blow for cable TV as Videotron opts to sell", February 8) was evidence of the increasingly frequent "cable bashing" enjoyed by both investors and the financial press.

It is precisely because the short-term performance of the industry has been below forecasts that the cable operators are now looking at consolidation to facilitate cost savings and increased

purchasing power. In Videotron's case the move is far from "a fresh blow to the industry" but a balanced response to market trends and the need to concentrate capital on the fast changing North American markets.

The cable industry clearly has some way to go in terms of its ability to provide a sensible return to shareholders and in the meantime the number of players in the market is likely to fall. This should be viewed as positive and as a means to provide a much needed boost to subscriber numbers and overall industry performance.

Maurice Benisty, media and telecommunications finance. Banque Paribas. 33 Wigmore Street London W1H OBN, UK

#### When US chauvinism is inappropriate The issue of accounting for

From Mr David Cairns. Sir, Arthur Levitt, the chairman of the Securities and Exchange Commission in the US, complains that European companies are chauvinistic in refusing to budge from their domestic accounting regimes. At the same time, he asserts that US accounting standards are the best and, by inference, should be adopted worldwide (Survey of accessing the US capital markets: "The world according to US GAAP". February 1). This sort of American chauvinism is fine when American standards are the best, but not when they lead to inappropriate and unsound international

deferred taxes is a prime example of where pressure to adopt an American standard is leading to a bad international accounting standard. As a result of this pressure, the International Accounting Standards Committee has recently proposed that companies should gross up tax-free income and expenditure which is not tax-deductible.

Under this proposal accounts will show fictional amounts of income, expenditure and tax expense and tax liabilities. Furthermore, some assets will be recorded on the balance sheet at cost plus the amount of tax relief that the company

will not get on that asset. This proposal is quite absurd and is not even good, let alone the

best, accounting.

Mr Levitt should distinguish between those American standards which are good and those which are bad. He should recognise that European companies have shown considerable flexibility in adopting good international standards. They are right not to budge when those standards are flawed or fail to deal appropriately with European

David Cairns. Bramblewood, Turville Heath, Oxfordshire RG9 6JY. UK

#### **Argument addresses wrong positions**

From Mr Mark Goyder. Sir, Samuel Brittan (Economic Viewpoint, February 1) is right to point out the distinction between a "stakeholder" economy and a "stakeholder" enterprise. And he is right to note the reluctance of the RSA Inquiry "Tomorrow's Company" to use the "s" word.

accounting standards.

But he misses the point when he characterises our inquiry as an attempt to "broaden the duties of directors". And he wastes fire-power bombarding positions no one is interested in defending. Pitting shareholders against each other is vesterday's argument.

The Tomorrow's Company position is as follows: 1) To win – and so create lasting shareholder value - in a giddy global economy, the company must be fast on its feet and all its people need to be dedicated and creative. 2) Money alone will not buy that: to achieve exceptional performance from employees and suppliers, and a stronger "licence to operate" companies need a purpose that inspires

their own people and values

that win public confidence. • 3) Each company has to find its own route to success, but

those which define - and

that excludes customers,

*measure* – success in a way

deprive them of future value. 4) Tomorrow's world class company has to inspire loyalty, trust, and creativity in all its relationships. Tomorrow's boards have to find ways of ensuring this is being done well. That's the inclusive approach to success, and the inquiry pointed out that boards who ignore it risk failing in their fiduciary duty.

suppliers, employees, or

shareholders to risk and

community expose

Mark Goyder. director. Tomorrow's Company, 8 John Adam Street, London WC2N 6BZ, UK

#### Prices moving up refer to pulps sold to peripheral markets

From Mr Roger A. Wright. Sir, I was flattered to be quoted in your article neadlined "Pressing down the pulp matter" (February 8). However, I would respectfully ask that you clarify a most

Although I do believe, as is stated in the article, that "prices may be heading back to \$400 a tonne" this refers to mixed tropical hardwood pulps sold in peripheral markets.

The costs of producing and delivering northern grades of market pulp which account for almost 80 per cent of world supplies are more than \$600

Even bungee jumpers don't

use rubber cords which are

longer than the drop. Roger A. Wright, Hawkins Wright, 18 Thurloe Place, London SW7 2SP, UK

### Samuel Brittan

# How Bundesbank sees Emu



There is a crucial difference between the role of the Bundesbank in the monetary

west and east Germany in 1990 and the role it will have in Germany's decision whether or not to go ahead with European economic and monetary union

In the case of the all-German monetary unification, the decision was entirely one for the government. Although the Bundesbank was obviously unhappy about it, it had no formal role in the process. In the case of Emu, the Bundes-bank does have a role, albeit an advisory one, the nature of which is not widely recog-

There are two international institutions which have to give a professional view in the winter of 1997-98 on which countries are ready for monetary union in 1999. One is the Eurosupposed to take instructions from national authorities.

The other is the European

Monetary Institute, which is meant to be the precursor of the proposed European central bank. The policy of the EMI is ultimately decided by its comcil, which consists of the governors of the existing European Union central banks. Moreover, council members can vote and do not have to be unanimous. Any central bank governor can issue, or participate in, a minority report, as the Bundesbank president, Dr Hans Tietmeyer, recently reminded us in a public

Thus the Bundesbank will be perfectly free, indeed duty bound, to state which (if any) countries in its opinion satisfy

the Maastricht criteria. It is the face of a hostile vote in the the report signed by the Bund. Bundestag. esbank which will, of course, It is quite likely that the matter for German public opin-

This will give the German central bank a pivotal position. If it is satisfied that not enough countries - and France is the one that matters - meet the criteria, then that will be the end of the affair. If, however, the Bundesbank gives a favourable opinion its voice will have only the force of per-suasion. The battle will then be on to convince German public and political opinion that the euro, the proposed new currency, will be an adequate substitute for the D-Mark - or will at least not be so inferior as to undermine the political arguments in Germany for a more integrated European

The Bundesbank president has little need to fear that a negative recommendation of his will be over-ridden by the chancellor. His real fear is the opposite: that a positive recommendation may not be sufficient to turn round political opinion. For there is no way in which Emu could happen in

The Bundesbank will, in practice, be able to block economic and monetary union, but will need all its persuasive powers should it come out in support

Bundestag.
It is quite likely that the spectre of other currencies depreciating against the D-Mark in a competitive free-for-all will turn public opinion back towards Emu. But the Bundesbank is reluctant to use such arguments and believes it will have most influence if it acts as the dragon guarding the Maastricht conditions

Strictness does not mean insensitivity to the business cycle. Just like the Commission and the EMI staff, the Bundesbank does not want to base an Emu decision on the vagaries of business conditions in any one year. It is interested in the sustainability of the budgetary position of candidates for Emu.

But the German central bank believes the bulk of European unemployment is structural and not to be attributed to stupld fiscal or monetary policies. It has, moreover, a robust scep-ticism about the cyclical adjustments which economists make to reduce budgetary deficits. Hence, its unwillingness to support talk of flexible inter-

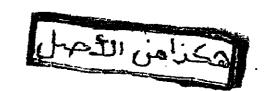
In practice, it is most interested in the stability pact proposed by the finance minister, Mr Theo Waigel, to operate ouce Emu has come into force. This is regarded as more important even than Maastricht; its main insistence is that there should be automatic sanctions on countries which have excess deficits. The pro-posed fines may not be the last word and the budgetary targets are subject to discussion. But the Bundesbank's belief in a supra-national element in fiscal as well as monetary decisions will not be music to British ears.

Of course, the leaders of the

German central bank recognise that a judgment will be ently excess deficit might be justified by exceptional economic circumstances or by remedial measures that have been put in train. The supranational elements will come in through majority voting in the European Council and through the automatic application of penalties once a decision is

Many economists, most recently Prof Willem Buiter of Cambridge University, have argued that the deficit and public debt ratios in the Marstricht annexe "make no senso But once if Buitan is debt as But even if Buiter is right, as he may well be, there will be no Emu unless would-be members pay some respect to the stated conditions. The real justification for the fiscal criteria may be, as Buiter suggests, not monetary but to make it less likely that "a debt default contingency would ever arise or that any country could ever blackmail the rest of the EU into servicing part of its debt" (Centre for Economic Policy Research discussion paper 1222, August 1995). In any case, the Bundesbank will not let go

of the criteria. Meanwhile, there is nothing more foolish than the attempt by some British ministers to insinuate that Emu will be postponed. This is so obviously a self-serving device to paper over Conservative divisions and to say nothing about what will happen in the next British parliament. A postponement into the latter part of 1999 or. 2000 would count as a technical adjustment. But anything longer would be more serious; and if the British government were seen to have a role in the delay, its influences in subse-quent decisions would sink even lower than it is to-



### FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Monday February 12 1996

# After the ceasefire

And it is control to transfer it largely ignored to transfer it largely ignored over. The search for a political settlement in Northern Ireland which the for many. ists should continue. The resumption of the IRA's

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k Goyder.

Burity expose

murderous bombing campaign has all but shattered hopes of a perma-nent break in the cycle of violence which claimed more than 3,000 lives during 25 miserable years. In one act of terrorism the IRA has Propriet one act or restrict which 17 broken the fragile trust which 17 months of peace had begun to build among the divided commu-nities of Northern Ireland. The build among interest in the second in the second in the second in the second interest in the second in the second interest in the second in the second interest in the second in the second interest in the second in the second interest in the second inte I those America in the province.

rds which are good ? which are bad Hear The bombing casts serious doubt on the motives and the ise that European influence of Sinn Fein, the IRA's nies have shown political wing. Mr Gerry Adams arable flexibility in and Mr Martin McGuinness have ng good mtemaine stated they had no advance knowrds. They are refag ledge, but both have refused to ge when those surcontinue the murder and maining of infocent by standers. The obviwed or fail to deal ortately with Europe ous conclusion is that either the Sinn Féin leadership has been marginalised or, more likely, that it has acquiesced in a resumption olewood, Turille le of violence. Either way the IRA's military commanders have reas-

serted their primacy.

So Mr John Major and Mr John Bruton, the UK and Irish prime ministers, are entirely right to conclude that Sinn Féin can have no place at the negotiating table without another, permanent, ceasefire or unless and until it entirely disassociates itself from the IRA campaign. If the IRA assumed that it could win concessions by bombing London, the calculation must be shown to have

Political risks

In this the London and Dublin governments deserve, and should expect, the strongest support from the US administration. Mr Bill Clinton has taken political risks in ending credibility to Mr Adams and Sinn Féin. He should not be

criticised for that. But now the president must of violence takes precedence over steps would be to revoke the visa which has allowed Mr Adams to travel freely in the US and to reimpose a ban on Sinn Féin fund

The priority for Mr Major and Mr Bruton meanwhile is to re-establish a joint approach to a politi cal settlement. This will require imagination and flexibility on both sides.

Future status

A starting point is to reaffirm the principle of consent at the heart of the Downing Street Decla ration - the future status of Northern Ireland can be decided only by the wishes of a majority It is more important than ever to demonstrate once again to the IRA that unionists can never be coerced into a united Ireland.

Mr Major, however, must resist the calls from those who want the government to respond to the esumption of the IRA campaign by seeking an internal political settlement in Northern Ireland. instead he should stick firmly to the three-stranded approach set out in the Downing Street Declara tion, under which an eventual accord would include also a North/South and an Anglo-Irish dimension. Mr David Trimble, the official unionist leader, should also stress that the principle of consent is buttressed by respect for the traditions of the nationalist community.

For their part, Mr Bruton and Mr John Hume, the leader of the mainly-Catholic SDLP, should show more willingness than bitherto to explore the possibility of elections to a new constitutional convention in Northern Ireland. Mr Bruton yesterday appeared to slam the door on the idea. But, while there may be alternative ways to bring the constitutional parties to the negotiating table, a properly-designed convention could yet offer a way forward.

As Mr Major commented at the weekend, the bombing last Friday evening has cast a dark shadow of doubt over the prospects for peace. But such callous acts will never secure victory for the IRA. Nor must they be allowed to halt among unionists and nationalists the political muscle of America's as the basis for political stability Irish lobby. Two important first in Northern Ireland.

# The problem with cable

What is wrong with UK cable? Por more than a decade, cable companies have dug up the roads of Britain in pursuit of the vision of wired cities. Yet many cable shares have underperformed the UK market by about a third in the past year. Last week, Videotron, Canada's third largest cable televi-sion group, announced it wants to sell its majority stake in the UK's seventh largest cable company. The most disappointing statistic for the industry is that cable teleision penetration has stalled at

21 per cent, scarcely rising for three years. That compares with the 40-45 per cent forecast during the investment wave of 1989-1990. In part, investors overestimated the public's willingness to pay for television through misguided comparisons with the US. UK broadeast television did not share three weaknesses of its US counterpart: requent advertisements interrupting films; poor reception; and poor

Ingrapaning outside big cities. UK cable television has also done itself few favours. Its door-to-door sales policy is well suited to the US but unfamiliar in the UK. It overpriced itself, cable is often more expensive than HSkyB satellite television, by £2-£3 per month for the basic package of channels. Unsurprisingly, BSkyB is ahead, with an estimated 3.5m households in October compared With cable's 1.3m.

Real competition

Cable companies may have a estimate case that the terms on which BSkyB sells them programming are unfair, the Office of Fair Trading is currently considering the complaint. But that simply emphasises cable's failure to develop its own programmes, pace Mirror Group's Live TV and its

topiess darts players.
What about the cable compaples' second shot the right to offer telephony? Cable is providing conger competition for UK resihhal customers. Telephone penstation is now 26 per cent (1.23m), having outstripped television sub-liption levels last autumn. Brish Telecom, and the advent of portability - the custom-Phone number when changing should not try to pick winners.

However, the weakness of some cable companies' position is revealed in their recent plea that the regulator. Oftel, should not

operator - will help.

tighten the cap on BT's prices because this would undermine their margins and threaten competition. This wrongly equates the mere existence of rivals with true competition which would put pressure on BT to cut costs and prices and to improve service.

Too expensive

The essential problem with cable is that it is too expensive, largely because in the UK cables must be buried underground. Cable television currently costs £1,500 per home connected; even if penetration were 100 per cent, the cost would still be about £300. more than a receiver for satellite or for the forthcoming digital television services. In telephony, BT's costs are dropping fast. Moreover wireless telephony, using radio signals to link with mobile phones or fixed aerials, is emerging as a cheap way to connect homes.

The best argument for cable is that it alone offers interactive capability such as video-on-demand or faster internet connections. However, digital television may soon offer an avalanche of new channels, approximating to video-on-demand. Meanwhile, the number of Internet users is small. and the group dissatisfied with present services even smaller. Although cable should be able to recoup some costs, the long-term prospect is that rivals, old and

new, will constrain its growth. For years the government has pinned hopes for greater competition in both television and telephony on cable. In the 1991 Duopoly Review it barred BT from entering the broadcast entertainment market in order to improve

cable's chances. There are good reasons for tilting the market towards new entrants, given the dominance of BT's position. But cable's disappointing record offers investors and ministers warnings that should be familiar. For investors, the message is not to draw false parallels with the US. For ministers, once again, it is that they

riday night's bomb in east London has again reminded the world of the capacity of a determined cell of terrorists to destroy years of painstaking political effort in a momentary act of

The only beneficiaries of the outrage are those who for decades have based their political credibility on sectarian strife.

As he prepares his statement for the Commons today, Mr John Major, the British prime minister, might be forgiven for wondering whether the choice he faces is between maintaining the peace process or continuing his government. With a majority of only four, he cannot afford to lose the support of pro-unionist Tory backbenchers and may soon depend on the Ulster Unionists. They will not allow him to hint at concessions to woo Mr Gerry Adams and others in the Sinn Fein leadership in the hope that they can still bring the Irish Repub-lican Army with them.

"That would be a disaster for the prime minister," says a senior Con-servative. "We would not be able to guarantee full backbench support

Yet if British ministers cannot talk to Sinn Fein, it will close the only channel of communication that exists with the IRA. The resumption of the "long war", as republicans dub the armed struggle will begin - with the targets ini-tially on the British mainland.

Even several staunchly pro-Unionist Tories, with the benefit of hindsight, point to mistakes by the government over the past 17 months. "We should not have made prior decommissioning of weapons such a bald precondition," says one. "We're not talking about appease-ment, but we gained little by boxing Adams so firmly into a corner.

Mr Bruton, the Irish prime minister also faces a difficult dilemma. The Dublin government has pres-ented itself as a conduit for Sinn Féin progressive entry into talks. This was predicated on an implicit commitment to exclusively non-violent means which was swept away by Friday's explosion.

From late last year, UK intelli-gence reports highlighted growing pressure in the republican movement to abandon the ceasefire. Rest lessness has mounted at the IRA grassroots over the slow progress in the peace process. There was dissatisfaction with Mr Adams over his willingness to talk to the British despite tortuously slow progress towards the full-scale negotiations that were seen as the goal.

In recent weeks, local politicians in the north and south of Ireland say a number of IRA members in Monaghan, one of the border counties, defected to the hardline group. Republican Sinn Fein. And loyalist sources claim the IRA was behind the murder last month of Mr Gino Gallagher, leader of the Irish National Liberation Army, another signed up to the ceasefire and is said to have been winning over disgruntled IRA volunteers in hardline areas of west Belfast.

The crunch appears to have come with the British government's response to the report of the international commission on arms chaired by Mr George Mitchell, the former US senator and aide to President Bill Clinton. Mr Major endorsed the thrust of the report. that set out the means by which decommissioning could be achieved in parallel with talks.

But he chose to focus on the difficulties Unionist politicians would face in joining talks before decommissioning began. He took up the proposal for elections to a constituional convention put forward by Mr David Trimble, leader of the

Ulster Unionist party.
This was interpreted by republicans as a delaying tactic - one rebuff too far. The Irish government was furious. Mr Dick Spring, the deputy prime minister, accused the British of pursuing a "divide and conquer" strategy.

Time to take stock weaning them away from said. "But we can't do it on our But Mr Bruton's sense of betrayal by Sinn Féin is palpable. Only last Tuesday he and his coalition part-

Dublin's government buildings. Equally let down by the decision of the IRA army council to return to violence are the moderate nationalists of Northern Ireland's Social Democratic and Labour Party. Their leader, Mr John Hume, believed that, somehow, they could forge a new political consensus through

Mr Hume believed the key to a

**COMMENT & ANALYSIS** 

solution was not the isolation of the extremes, but bringing them into the political mainstream. It was for that reason he sometimes gave the impression of bending over backwards to placate the interests of republicans. His work appears to have been blown apart. The immediate plan, according to

UK ministers, will be to take stock. Mr Major's first priority will be to shore up security at high-profile buildings on the British mainland as well as around politicians and officials responsible for Northern Ireland. In public he will continue his pur-

suit of elections for a constitutional convention, despite the opposition of nationalists and the Dublin government. That plan, while meeting Unionist demands, appears ever less likely to achieve its goal of getting all the main political parties to negotiations.

The best Mr Major is likely to achieve is a concerted round of talks between the constitutional narties. But the chances now of entrenched positions appears more remote than ever.

ners met a Sinn Féin delegation in Mr Bruton will pursue his call for conference on the model of the Dayton accord for Bosnia involving all the parties in the same building, but not necessarily the same room. Neither government's proposal now appears to have enough in it to bring together both nationalists and

> r Bruton ma clear yesterday that the door remained open to Sinn Féin. He said demands for Sinn Fein leaders to condemn the bomb would be counterproductive as they would be seen as yet another hurdle.

> "Sinn Fein has now been told that if they wish to convey messages to the Irish government, there are means available." he added. "We are not going to give them the sort of political recognition that we would give to parties exclusively using political methods to advance

their programme." For all the secrecy of the inner workings of the IRA, its purported political representatives were still keen over the weekend to present their case. Prominent among them was Mr Mitchel McLaughlin, representative of the more intellectual wing of the party.

"We are prepared to play our full role in conjunction with others to convince those people who have resorted to the armed struggle that there is an effective alternative." he

own, any more than we could deliver IRA weapons. We didn't control them, we didn't have that power and people are fundamentally mistaken in assuming that we

John Kampfner and John Murray Brown consider the difficult

dilemma now facing the British and Irish governments

could." But the resumption of violence has raised questions about the authority of the Sinn Fein leaders in any future talks. As an Irish member of parliament put it: "Is Adams the monkey or is he the

Mr Adams would lose all credibility within republican ranks if he condemned the bombing. If he knew about it in advance, he would make himself liable to prosecution. In many ways, for both governments it would be preferable if he did know. At least then they could believe that there would be a point in further negotiations.

The alternative, of a disciplined hard core of terrorists beyond the reaches of any political process. would be worse to contemplate. If Mr Adams turns against the military command, British officials helieve Mr Adams could risk physical danger from his erstwhile allies.

Nevertheless, Mr Seamus Mallon, deputy leader of the SDLP. suggested Mr Adams would have to choose between the two paths, and risk antagonising the most extreme elements: "They have got to make up their minds," he said. "Are they a semi-detached part of the republican movement which is tied to terrorist violence? Or are they going to move simply and solely into the

position of being a democratic polit-

In Northern Ireland not all hope has been lost. The belief is still prevalent that public opinion, pressure on the streets, count for something. "They [the IRA] don't just need activists to fight a war. They need the support of the commu-nity," says Mr Alex Atwood, an influential SDLP councillor in Bel-

But others suggest it may be too late. According to Dermot Ahearn, Fianna Fail MP for the traditionally militant republican border area of Dundalk the failure of Sinn Fein to make political inroads has bolstered the IRA. "Ordinary people who have never espoused violence, are saying 'Can you blame them?'," he

The 17 months of ceasefire was perhaps a triumph of hope over reality. The great game was all about all-party negotiations. Even if they had been reached, no-one had a clue about what would happen next. If the aim was to legitimise Northern Ireland as a sovereign part of the UK through the principle of the consent of the majority of the province, then it would run counter to everything the IRA had ever

Lurking behind all the talks about talks about talks was a logical contradiction that nobody was close to overcoming. Yet throughout the cease-fire, as long as the process kept inching along, it was possible to be optimistic that a solution might be found. The outlook after Friday's bomb is much

### BSERVER

#### Friedland's lucky strike

■ Not even the biggest winner of the UK's national lottery has hit the jackpot quite as spectacularly as Robert Friedland. The ever youthful Friedland was

a long-haired hippie in the 60s and a promoter of speculative North America mining stocks in the 80s. Among his brood was Vancouver-based Diamond Fields Resources which, as its name implies, was hoping to strike a motherlode of gemstones. Just 18 months ago, Friedland's 13 per cent stake in DFR was worth little more than C\$10m (US\$7.6m).

DFR hasn't found many diamonds, but it has discovered a sensational nickel deposit at · Voisey's Bay, a remote spot in eastern Labrador. Falconbridge. the Canadian metals producer, launched a C\$4bn takeover bid for DFR last Friday which values Friedland's stake at a cool C\$530m. His nest egg could grow still bigger in coming weeks when other suitors join the bidding, as they are expected to do.

But the news is not all good for Friedland, who holds joint US and Canadian citizenship, lives in Singapore and is constantly on the move. US environmental agencies are probing his role in the mismanagement of a small gold. mine in the foothills of the Rockies in the early 90s. Tons of toxic

chemicals seeped into local water Angelou - President Bill Clinton's US\$100m. Given Friedland's latest strike, the Americans may be encouraged to try even harder to

Kinkel watch

make him pick up the tab.

supplies. The cleanup bill is expected to reach well over

Life is not easy for poor old Klaus Kinkel. The German foreign minister failed last year to stake out a future for the small liberal Free Democratic party (FDP) and now seems to be loosing his grip on the conduct of German foreign policy altogether.

Chancellor Helmut Kohl's visit to Russia at the end of this week provides telling evidence. It turns out that the foreign ministry heard about Kohl's visit not from the chancellor's office but - yes, you guessed it - from the Russians.

How long Kinkel can go on as foreign minister has been a subject of frequent speculation. However, a growing number of German diplomats are fed up with being Bonn's laughing stock and want a boss who can recover the ministry's former stature.

Retrobution

The US music scene is rife with Retromania - uncovering parts of the past some big names might prefer to forget.

Take literary lioness Maya

favourite poet. Her album, Miss Calypso, has just been re-released complete with a cover picture showing a lot of chest and leg. The distinguished author of I know why the Caged Bird Sings, it turns out, was once a night club vamp who fumped on the Caribbean bandwagon set under way by Harry Belafonte's Banana Boat Song in 1957. However, the potential damage

to Angelou's image is nothing compared with the embarrassment facing Louis Farrakhan, leader of the sinister Nation of Islam organisation. He is understood to be busy on a search-and-destroy mission. His target; a disc he cut w<u>hen</u> he was known as plain Calypso Louie. It is called The Charmer....

Felix the fixer

Felix Rohatyn, one of the grand old names of Wall Street investment banking, is being tipped for a job at the US Federal Reserve. A life long supporter of the Democrais, Rohatyn's name often surfaces when there is a big post to fill.

However, the odd thing this time round is that Rohatyn is not being mentioned for the top job at the Fed. The assumption is that Alan Greenspan will be reappointed for a third term even though he turns 70 next month. So why would Rohatyn want to be his number

Federal Open Markets Committee. It is understandable why President Clinton would like one of his supporters at the Fed in an election year. Robatyn favours faster economic growth, while Greenspan's tight money policies hamper Clinton's own re-election prospects. And with the stock market trading at its current rarefied levels, it is always handy to have Greenspan's Wall Street skills on hand, in case anything

two? He will not even chair the

At 67, Rohatyn may just be willing to face a hostile Senate confirmation and put himself forward for one last tour of public duty. Who knows, he could even step into Greenspan's job after the next election.

unexpected happens in the

financial markets.

#### Test mate

■ Keith Murray is hanging up his car keys - after failing his UK driving test for the 35th time. The Scottish publisher has spent close to £9000 on 1.450 lessons over the past decade. Keith has now decided not to fill in a 36th test application.

But he insists he is a good driver, blaming his downfall on nerves and bad luck. His first test 10 years ago was a disaster. "It was really awful weather and we ended up following a hearse back to the test centre. I knew that was a bad omen I just didn't realise things were going to get this bad."

# \*Financial Times

#### 100 years ago. Greek finances

M. Delyanni, the Premier, to-day submitted to the Chamber the Budget for 1896, which places the revenue at 90,804,541 drachm and the expenditure at 90,222,350 drachmas. About seventy bills dealing chiefly with internal reforms were introduced. One of the measures introduced deals with a proposed increase in the gendarmery, which is to be entrusted exclusively with the maintenance of public order. Referring to the Foreign Debt. M. Delyanni declared that the negotiations for a satisfactory arrangement would shortly be resumed in Paris with the Bondholders' Committee.

#### 50 years ago

Warning on U.S. supplies of lead The Civilian Production Administration has issued a warning to battery manufacturers to conserve lead supplies as far as possible, since it foresees a deficit of 180,000 tons for 1946, Makers of paint chemicals and tetraethyl lead for petrol will also be asked to conserve supplies. New development work in the United States would ease the tight lead situation, as would the return of workers to the mines and smelters, but the industries' reconversion to peace time production is slow. Then there is the price problem.

answers

# FINANCIAL TIMES

Monday February 12 1996



Channel tunnel operator to seek mediator for talks with banks

# Eurotunnel plans £400m upgrade

By Charles Batchelor, Transport Correspondent

Eurotunnel, the Anglo-French company which operates the Channel tunnel rail link between Britain and France, plans to spend up to £400m (\$616m) over the next four years improving passenger facilities, despite its £8bn debt.

This week. Eurotunnel is expected to confirm that it will ask a French court to appoint a mediator - a mandatoire ad hoc to help with negotiations with its 225 banks about refinancing. Eurotunnel suspended interest payments on the debt last Sen-

Its hanks have been told that appointment of a mandataire ad hoc would be an informal procedure which did not affect credi-

Despite the debt, Eurotunnel order for the two trains within

hopes to spend up to £400m modernising its terminals and expanding its fleet of shuttle trains to achieve an urgently needed increase in passenger

It expects to win the approval of its banks for projects intended to "tweak" the system and improve revenues. The sums proposed - between £60m and £100m a year - would come from operating income. But they would require annual approval by the company's instructing banks, the 19 banks with which it maintains regular contact alongside the six-

strong steering group.

Main items of expenditure would be 16 additional shuttle wagons, expected to be delivered later this year, and two new shuttle trains, to go into service at

Eurotunnel expects to place an

weeks at a price of about £38m, less than half the price per train it paid for its original fleet ordered on its behalf by TML, the construction consortium which

built the tunnel. TML had little understanding of rolling stock and little incentive to bargain hard. Eurotunnel said. The original stock also had to bear development costs. The new order would not be placed with Breda of Italy, which supplied the original trains.

The new rolling stock will be built to a simpler design - props to support each wagon when cars and trucks are loaded have been deemed unnecessary - and will be cheaper to maintain. But it will meet the same safety requirements which added to the cost of the original trains.

Other improvements Eurotunnel plans include developDuty-free sales, which include a one-third discount on the prices charged by Eurotunnel's ferry rivals, are to be expanded.

The company also plans to improve facilities for business travellers at its terminals. Business travellers account for about 25 per cent of all journeys. Eurotunnel is considering creating business lounges similar to those at airports.

It hopes to make the journey in the shuttles more interesting, possibly by providing video screens or interactive terminals at which travellers could order from the duty-free shops. Introducing trolleys selling refreshments or duty-free items would be difficult, however, because of the narrow aisles and fire doors between

Spanish link proposed, Page 14

# New York to end freeze on number of yellow cabs

By Richard Tomkins

New York City has decided to break with one of its oldest traditions by ending a 60-year freeze on the number of yellow taxis allowed to ply the city's streets.

For the first time since the number of taxicab licences was capped in 1937, New York's municipal government is to auction 400 new licences, or medallions.

The move is expected to raise a badly needed \$80m for city funds over the next 21/2 years. At present the only way to

acquire a medallion in New York is to buy one from an existing owner. Scarcity has driven up the transfer value of a licence to about \$220,000, and the trade is served by a thriving network of medallion brokers, financial institutions and lawyers.
When first issued, the licences

cost \$10 a year. New York capped the number at 13,595 in 1937 Lifting of 1937 regulation expected to raise \$80m for hard-pressed city funds

because there were too many taxis for too few passengers.

Over the next few years the number of taxis dwindled to the present level of 11,787, as many owners went bankrupt amid poor business conditions.

Medallions started to gain value after the second world war as the taxical business became more profitable. Since then, fare increases and rapidly rising passenger numbers have caused medallion prices to soar.

Issuing new licences is a sensitive subject among New York cabbles because it threatens to undermine the value of their existing medallions.

Owners would almost certainly sue the city if the value of their investment was noticeably impaired. The city has therefore adopted a cautious approach, raising the number of medallions

by only 3.4 per cent and staging

the increases over 30 months. It has also countered the effect of the dilution with last month's decision to lift fares by 20 per cent as part of a plan to raise the quality of the city's taxi service. New medallions will be sold in three stages: the first 100 by June 30 this year, the second 100 by June 30 next year, and the final 200 by June 30 1998. Sealed ten-

medallions will be sold to the highest bidders. At the end of the process the number of cabs will have risen to 12,187. That is still small by comparison with London's 18,000 black taxis, but New York's yellow cabs are probably driven harder: a normal driver's shift is 12 hours, and most cabs

Tomiichi Murayama, then Japa-

nese prime minister, that the

treaty for Japan's annexation of

the Korean peninsula from 1910

Mr Kim snubbed Mr Muray-

Mr Ryutaro Hashimoto, who

ama in response by cancelling a

succeeded Mr Murayama last

month, draws political support

from the right wing and war vet-erans' families and has gained

popularity for promoting a diplo-

The "Tok-do issue" is also pro-

voking nationalistic fervour in

South Korea, where anti-Japa-

nese feeling is strong. Mr Kim

political spectrum for his strong

stand on the island dispute.

to 1945 was technically valid.

planned summit with him.

matically assertive Japan.

ders will be invited and the

economists said. are "double-shifted" - driven 24

Unemployment, traditionally higher than for the UK generally, with arrivals this year expected to top 1.5m - more

Mr John Simpson, a leading economic commentator, estieign investment projects this vear, valued at between £500m

### UK to press ahead with poll plans

Continued from Page 1

the paramilitaries, said attacks on the Irish Republic were "inevitable" if the IRA made more strikes in mainland UK.

The Irish Garda police force said yesterday it was "monitor-ing the situation as it develops". Public access to Dublin's ministerial offices has been restricted.

The cost of the damage caused by the bombing is now put at between £75m (\$115.5m) and £150m by the Association of British Insurers. Many businesses could see their terrorism insurance costs increase by as much as two-thirds following the bomb. Stewart Dalby in London writes: More IRA violence in mainland Britain or Northern ireland could severely damage the province's recent economic revival, business leaders and

Northern Ireland has been enjoying an economic recovery in the 18 months since the IRA ceasefire, with gross domestic product rising more quickly than for the UK as a whole.

is at 11.4 per cent, the lowest since 1981. Tourism is booming, cent up on 1994.

The Northern Ireland Indus-trial Development Board said inquiries from potential investors have increased by 64 per cent compared to a year ago.

mates there could be 20 new forand 2600m and implying the creation of 5,000 to 6,000 new jobs. One immediate effect of the bomb will be an increase in security costs. The net cost of Northern Ireland to the British taxpayer is £3.5bn a year, of which £800m goes on security.

### Continued from Page 1

**Body parts** 

BioHybrid, said his group had "developed an artificial pancreas that may revolutionise current therapy for diabetes".

BioHybrid takes insulinproducing "islet" cells from pigs and encapsulates them in a halfpermeable plastic membrane. This protects the cells from destruction by the human immune system but still allows them to take in nutrients from the bloodstream and give out

The encapsulated cells would be injected into the patient once or twice a year. "We have successfully used this technology to 'cure' diabetes in rodents and dogs," Dr Lanza said.

Europe today

Low pressure will move slowly from Northern Ireland to the south-east. The UK will have moderate rain followed by wintry showers, but Scotland will have drifting

snow on high ground. The coastal areas

temperatures. The rain will spread rapidly eastward turning into sleet and snow over

Germany and Denmark. The Alps and the Pyrenees will get a fresh blanket of snow.

northern Spain, southern Italy and Greece

while south-eastern Spain will have sunny periods. Eastern Europe will remain cold while western Russia will have some light

Wet conditions with rain, sleet and snow will gradually move into south-eastern

Europe. Italy will become especially wet as the week progresses. The UK, the Benefux, Germany and northern France will see

Rainy conditions are expected over

Five-day forecast

will have near gale or gale force winds. The Benelux and western France will have windy and wet weather with seasonal

### Japan and S Korea in dispute

Continued from Page 1

island, under the United Nations convention on the law of the sea. The disputed island is surrounded by rich fishing grounds, which are of growing interest to Tokyo as Japan's fishery stocks become depleted.

The Japanese foreign ministry last week issued a formal protest demanding that South Korea cease plans to construct a wharf on the island. Tokyo claimed that the islands

are "historically and in view of international law, an integral part of Japan. The move is extremely regrettable has gained support across the

The most recent chill in Japanese-Korean relations began with last year's statement by Mr

# LOW HIGH

wintry showers diminish followed by a few cold and calm days with sub-zero temperatures at night. At the end of the week, westerly winds will bring milder air. Caracas Cardifi Casablan Chicago Cologne Dalkar Dallas Dolin Dublan Dublan tair sleet cloudy sleet shower lair sun rain fair snow cloudy
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sleet fair fair shower shower cloudy cloudy fair fair Rangoon Reykjavik Rio Rome S. Firsco Seoul Singapore Siocichoin Strasbour Sydney Tangier Tel Aviv Tokyo Toronto Vancouve Venice Vierna Warsaw Washingti Wellington Winnipeg Zunch Frankturi Geneva Gebratar Glasgow Hamburg Helsnik Hong Kong Honolutu Istanbul Jakarta Jersey Karachi Kuwat L Angelos Las Palmas Lime Lisbon London Luxcbourg cloudy cloudy cloudy rein shower Sun fair snow cloudy fair fair shower fair tair shower snow rain fair fair Moscow Munich Nariobi Napies Nassau New Yo Nice Nicosia Osko Paris Pertin cloudy sun fair Constant improvement of our service. That's our commitment. cloudy cloudy fair fair Lufthansa

#### THE LEX COLUMN

# Media machinations

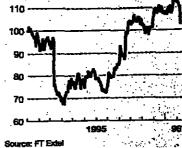
The Byzantine manoeuvring over who will dominate German pay-television is reaching fever pitch. Last week saw Mr Leo Kirch, the Bavarian mogul, snap up the lion's share of the TV rights to German football and splash out a reputed DM1bn-plus for the German-language rights to all Columbia Tristar's movies for the next decade. Mr Kirch is also indicating that he may introduce his own technology for pay-TV via satellite, overturning an earlier deal to join a venture led by

Bertelsmann and France's Canal Plus. Mr Kirch's rivals have not been idle. Havas, the French media conglomer-ate, has launched a Fr4bn convertible issue – which would come in handy if Canal Plus and Luxembourg's CLT, in both of which Havas holds stakes, carry out their threats to launch competing German pay-TV services. One way of stopping that would be for Havas to buy out GBL of Belgium's controlling stake in CLT. Indeed, the Machiavellian interpretation is that GBL is pushing CLT to compete with Canal Plus with precisely that aim in

That may also explain the rumours that CLT is on the point of cutting a deal with BSkyB, Mr Rupert Mur-doch's UK satellite group. While Mr Murdoch certainly wants to muscle in on the German pay-TV market, an alliance with CLT is just one option. Nevertheless, if CLT did secure Mr Murdoch as a partner, it would become a more credible threat to Canal Plus's venture and so increase the pressure on Havas to pay a handsome premium for GBL's CLT stake.

Why this jockeying for position? Because Germany's embryonic pay-TV market is potentially the largest and most profitable in Europe. So far there is only one pay-TV channel, Premiere, controlled by Bertelsmann/Canal Plus, in which Mr Kirch has a minority stake. But digital satellites capable of beaming dozens of new channels could

bring an explosion in demand. The market is also fairly open. Nobody has yet cornered it, unlike BSkyB in the UK and Canal Plus in France. The most attractive film and sports rights are split between Mr Kirch and Bertelsmann. Meanwhile, CLT hopes to build a pay-TV business on its RTL subsidiary, Germany's most popular "free-to-air" broadcaster – though Bertelsmann, also a big RTL shareholder, is fighting to wrest away control. As for Mr Murdoch, he brings to the table not only BSkyB's expertise in pay-TV but also Vox, a smallish German channel in which BertelsShare price relative to the CAC 40 Index



mann and Canal Plus hold minority stakes. The most logical outcome might seem to be a grand consortium including all parties - Bertelsmann, Canal Plus, CLT, Mr Kirch and Mr Murdoch. A monopoly, after all, would be best for profits. Everybody is aware that it was only after BSB and Sky stopped their vicious competition for programming rights and merged into BSkyB that the venture became the money-spinner it is today.

The snag is that it is hard to persuade five media baronies to work as a single consortium. Not only does each want to be in the driving seat; if the profits have to be split five ways, individual slices would be relatively small. Individual shares could be bigger if one or two groups could be safely left out in the cold. But the risk is that cut-throat competition would then develop - though that might not be a bad thing for consumers.

#### Russia

For the Russian government to announce plans for its first Eurobonds, months before a presidential election in which the Communist party has a chance of success, took chatzpah. It is not certain the bonds will actually be issued before the elec-tion, but Friday's vague announcement focused the market's mind. If a pre-election Eurobond issue is feasible, which many think it is, three-year dollar-denominated bonds would probably yield about 10 per cent, a touch more than Mexico pays. Not surpris-ingly, the yield of 18 per cent on Russia's existing MinFin bonds suddenly looked seriously overdone, given that the only difference between the two is that MinFin bonds cannot be redeemed outside Russia. The resulting sharp reduction in three-year Minequally sharp increase in the market's

faith in Russia's government. Of course, buying Eurobonds before the election means taking the risk that interest payments to foreigners may not be a high priority for a Com-munist-led government. This risk is real, but small. A Communist victory is far from a foregone conclusion Signs of populism from Mr Boris Yelt-sin, much as they may unsettle reform enthusiasts, are no bad thing from this point of view. Nor is it obvious that even a Communist president would default on Eurobond repay. ments - especially since, despite its troubles, Russia has never defaulted on the Eurobonds issued in the Soviet: era. But at their present yields, inves-tors who believe all this would proba-bly still be better off buying MinFin bonds instead.

#### Allied Domecq

Allied Domecq has become the stock market's latest demerger candidate Following last week's profits warning shareholder patience with the group is wearing thin. Allied's shares have underperformed by more than 40 per cent over the past four years, while earnings per share will be lover the year than in 1992. Investors are hoping the highly respected Sir Christopher Hogg, who takes over as chairman in April, will shake things up. If it we not for that prospect, the shares would

be even lower.

The case for a demerger is simple there is no industrial logic in combin ing an international spirits business with a UK pubs operation. On its own, each could attract a bid premium Though relatively weak in whisky and cognac, the spirits division is strong in tequila and sherry; it is also well-en trenched in Latin America. Guinness, Seagram and Grand Metropolitan would all be able to strengthen their product ranges and make savings by buying Allied and closing down most of its distribution network. Meanwhile, Allied's UK pub estate could be attractive to a number of brewers.

Even if Sir Christopher baulks at break-up, he could at least sell the retailing division. That would allow the group to repay its £1.6bn debts and invest more in its neglected spirit brands. A smaller, cash-rich Allied might also be an attractive recovery stock. Either way, City calculations of a 700p break-up value against a cur rent share price of 515p point to con siderable hidden value.

These announcements appear as a matter of record only. January 1996



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Disposal Amtico Company Limited through a Management Buy-Out

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